

# **CITY OF HICKORY NORTH CAROLINA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR YEAR ENDED JUNE 30, 2019**

**Post Office Box 398  
76 North Center Street  
Hickory, North Carolina 28603**





**CITY OF HICKORY, NORTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For Fiscal Year Ended June 30, 2019

Prepared by the Finance Department



**CITY OF HICKORY, NORTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**TABLE OF CONTENTS**

	<b><u>Exhibit/ Schedule No.</u></b>	<b><u>Page</u></b>
<b><u>INTRODUCTORY SECTION</u></b>		
Letter of Transmittal		1
Organizational Chart		9
Certificate of Achievement for Excellence in Financial Reporting		10
List of Elected and Appointed Officials		11
<b><u>FINANCIAL SECTION</u></b>		
Independent Auditor's Report		13
Management's Discussion and Analysis		16
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	A	30
Statement of Activities	B	31
Fund Financial Statements:		
Balance Sheet - Governmental Funds	C	33
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	D	35
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	E	36
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	F	37
Statement of Net Position - Proprietary Funds	G	38
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	H	39
Statement of Cash Flows - Proprietary Funds	I	41
Notes to the Financial Statements		43
Required Supplemental Financial Data:		
LEOSSA - Schedule of Changes in Total Pension Liability	A-1	90
LEOSSA - Schedule of Total Pension Liability as a Percentage of Covered Payroll	A-2	91
OPEB - Schedule of Changes in the Total OPEB Liability and Related Ratios	A-3	92
LGERS - Proportionate Share of Net Pension Liability (Asset)	A-4	93
LGERS - Contributions - Last Six Fiscal Years	A-5	94

**CITY OF HICKORY, NORTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**TABLE OF CONTENTS**

	<b><u>Exhibit/ Schedule No.</u></b>	<b><u>Page</u></b>
Combining and Individual Fund Statements and Schedules:		
General Fund Consolidated:		
Statement of Revenues, Expenditures, and Changes in Fund Balance - Actual - General Fund Consolidated	B-1	95
General Fund:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	B-2	96
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Reserve Fund	B-3	103
Major Capital Projects Fund:		
General Capital Projects Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	B-4	104
Nonmajor Governmental Funds:		
Combining Balance Sheet	C-1	105
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	C-2	107
Special Revenue Funds:		
Community Development Entitlement Block Grant Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	D-1	109
Home Consortium Grant Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	D-2	110
NCHFA Rental Rehabilitation Grant Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	D-3	111
Multi-Year Grant Projects Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	D-4	112

**CITY OF HICKORY, NORTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**TABLE OF CONTENTS**

	<b><u>Exhibit/ Schedule No.</u></b>	<b><u>Page</u></b>
<b>Major Enterprise Funds:</b>		
Water and Sewer Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	E-1	113
Water and Sewer Capital Projects Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	E-2	116
Transportation Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	E-3	117
Transportation Capital Projects Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	E-4	119
Solid Waste Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	E-5	120
<b>Nonmajor Enterprise Funds:</b>		
Combining Statement of Net Position	F-1	122
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	F-2	123
Combining Statement of Cash Flows	F-3	124
Sludge Composting Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	F-4	126
Stormwater Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	F-5	127
<b>Internal Service Funds:</b>		
Combining Statement of Net Position	G-1	129
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	G-2	130
Combining Statement of Cash Flows	G-3	131
Insurance Fund - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	G-4	132
Fleet Maintenance Fund - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	G-5	133
<b>Capital Assets Used In the Operation of Governmental Funds:</b>		
Schedule By Source	H-1	134
Schedule of Changes By Function and Activity	H-2	135
Schedule By Function and Activity	H-3	136
<b>Supplemental Financial Data:</b>		
Schedule of Ad Valorem Taxes Receivable - General Fund	I-1	138
Analysis of Current Property Tax Levy - City-Wide Levy	I-2	139
Analysis of Current Tax Levy - City-Wide Levy Secondary Market Disclosures	I-3	140

**CITY OF HICKORY, NORTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**TABLE OF CONTENTS**

	<b><u>Exhibit/ Schedule No.</u></b>	<b><u>Page</u></b>
<b><u>STATISTICAL SECTION</u></b>		
Net Position by Component	1	141
Changes in Net Position	2	142
Fund Balances of Governmental Funds	3	144
Changes in Fund Balances of Governmental Funds	4	145
Assessed Value and Estimated Actual Value of Taxable Property	5	146
Direct and Overlapping Property Tax Rates	6	147
Principal Property Taxpayers	7	148
Property Tax Levies and Collections	8	149
Ratios of Outstanding Debt by Type	9	150
Ratios of General Bonded Debt Outstanding	10	151
Direct and Overlapping Governmental Activities Debt	11	152
Legal Debt Margin Information	12	153
Demographic and Economic Statistics	13	154
Principal Employers	14	155
Full-Time City Government Employees by Function/Program	15	156
Operating Indicators by Function/Program	16	157
Capital Asset and Infrastructure Statistics by Function/Program	17	159
<b><u>SINGLE AUDIT SECTION</u></b>		
Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>		160
Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance And The State Single Audit Implementation Act		162
Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance And The State Single Audit Implementation Act		164
Schedule of Findings, Responses, and Questioned Costs		166
Schedule of Prior Year Audit Findings		169
Schedule of Expenditures of Federal and State Financial Awards		170



## **Introductory Section**





City of Hickory  
Finance Department  
PO Box 398  
Hickory, NC 28603  
Phone: (828) 323-7545  
Fax: (828) 323-7550  
Email: mmiller@hickorync.gov

October 11, 2019

The Honorable Mayor Hank Guess,  
City Council, City Manager, and the Citizens  
of the City of Hickory, North Carolina

The Comprehensive Annual Financial Report (CAFR) for the City of Hickory, North Carolina, for the fiscal year ended June 30, 2019, is hereby submitted. This report consists of management's representations concerning the finances of the City of Hickory. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Hickory has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile reliable information for the preparation of the City of Hickory's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The cost of internal controls should not outweigh their benefits. The City of Hickory's internal controls have been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Hickory's financial statements have been audited by Martin Starnes & Associates CPAs, P.A. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hickory for the fiscal year ended June 30, 2019, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Hickory's financial statements for the fiscal year ended June 30, 2019, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The Comprehensive Annual Financial Report (CAFR) has been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments*. Additionally, the financial statements have been prepared in compliance with applicable requirements of the General Statutes of North Carolina and are consistent with the standards

and guidelines recognized for governmental accounting and financial reporting contained in both *Audits of State and Local Governmental Units*, an audit guide prepared by the Committee of Governmental Accounting of the American Institute of Certified Public Accountants (AICPA), and *Government Auditing Standards*, issued by the Comptroller General of the United States. Among the other resources used in the preparation of the financial statements, the Finance Department Staff has given particular attention to *Governmental Accounting, Auditing, and Financial Reporting* (GAAFR) issued by the Government Finance Officers Association of the United States and Canada (GFOA), and Governmental Accounting Standards Board (GASB) pronouncements.

The Single Audit Act of 1984 established requirements for state and local governments that receive federal assistance. The audit requirements have also been adopted by the State of North Carolina for state grants. Information related to this single audit, including the schedule of federal and state financial awards, schedule of findings and questioned costs, auditor's report on internal control and compliance with laws and regulations, and other schedules and exhibits necessary to satisfy the requirements of the single audit, are included in the single audit section.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Hickory's MD&A is presented immediately following the report of our independent auditors.

## **Profile of the Government**

The City of Hickory is located in North Carolina's Piedmont region, 50 miles northwest of the City of Charlotte and 80 miles east of Asheville. Hickory was incorporated in 1870 and is the geographic and economic center of North Carolina's eighth largest Metropolitan Statistical Area (MSA). The City spans approximately 29 square miles and is intersected by Interstate 40, US Highway 321, and US Highway 70. The City is sited primarily in Catawba County but its borders extend into portions of Burke and Caldwell Counties.

The City has operated under the council/manager form of government since 1913, and was the third jurisdiction in the United States to adopt this method of government. The City Council is comprised of a mayor and six council members representing area wards who are elected to staggered terms on a nonpartisan basis in a city-wide election. The City Council is the policy-making and legislative authority of the City. They are responsible for adopting the annual budget, approving zoning and planning issues and other matters related to the health and welfare of the City. The Council makes appointments to various boards and commissions, and appoints the City Manager. The City Manager is the Chief Executive Officer and is responsible for enforcement of laws and ordinances, delivery of services, implementing policies, managing daily operations and appointing department heads.

The City provides a full range of services including police and fire protection, emergency management, street maintenance and construction, community development, planning and zoning, engineering, library, cemeteries, sanitation services, airport services, and parks and recreation. Additionally, the City owns and operates a water and sewer system providing

services to residents of the City and its environs. The City also extends financial support to certain boards, agencies, and commissions. There are no legally separate entities included in this report.

In government, much more than business, the budget is an integral part of a unit's accounting system and daily operations. An annual or project budget ordinance, as amended by the governing body, creates a legal limit on spending authorizations. For the City of Hickory, annual budgets are adopted for the General, Special Revenue - Capital Reserve, and Enterprise Funds. Financial plans are adopted for the Internal Service Funds. Appropriations are made at the functional cost category level (i.e. general government, public safety, transportation, environmental protection, etc.) for the annually budgeted funds. Project and grant ordinances (multi-year budgets) are adopted for all Special Revenue funds excluding the Capital Reserve Fund, and all Capital Project Funds. The Capital Reserve Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund. Encumbrances outstanding at June 30, 2019, are reported separately in the notes to the financial statements.

In accordance with state law, the City's budget is prepared on the modified accrual basis, and its accounting records are also maintained on that basis. Under modified accrual accounting, revenues are recorded when they are both measurable and available. Expenditures are recorded when a fund liability is incurred, except for unmatured principal and interest on long-term debt and certain compensated absences. Governmental Fund types, such as the City's General Fund, Special Revenue Funds and Capital Project Funds are reported on the modified accrual basis in the fund financial statements. The City's Proprietary Funds are reported on the full accrual basis in the fund financial statements, under which revenues are recorded when earned and expenses are recorded when incurred.

## **Local Economy**

The City of Hickory is the economic hub of the "Greater Hickory Metro". Economic activity in the region continues to grow, and the City remains financially sound. The City's continued commitment to policies and practices will keep Hickory and the local economy on the best and safest road to economic security. Commercial construction activity included 261 permits with a value of over \$82 million and 302 additional residential permits with a value of over \$24 million in fiscal year 2018-2019.

Economic development initiatives and activities completed or underway include:

- Based on a Space Needs Assessment, the City's Ridgeview Branch Library will undergo various renovations and expansion of the existing facility to accommodate additional services and opportunities for community patrons. An architectural firm has been selected and construction is expected to begin in 2020.
- Construction is almost complete on Corning's \$60 million manufacturing facility project in the Trivium Corporate Center that is expected to bring 110 additional jobs to our region.

- In February 2019, Isotopen Technolgien Munchen AG (ITM) announced their plans to construct a manufacturing facility in the Trivium Corporate Center for the production of new radiopharmaceuticals for the treatment of cancer patients. ITM plans to invest \$12 million in machinery and equipment and create 137 jobs over the next five years.
- A strong residential building effort is underway. Current projects include:
  - Highland Park (80 units) - \$25,000,000
  - The Lodge Apartments (80 units) - \$8,176,000
  - Hawks Landing Apartments (144 units) - \$3,825,000
  - The Gates at Highland Apartments (216 units) - \$3,209,000
- In November 2018, Lenoir Rhyne University Athletics announced their plans to build the Neill McGeachy Sports Performance Center at a cost of \$2.6 million. The center was named for Neill Roderick McGeachy Jr, class of 1965, and former director of intercollegiate athletics and executive director of the Bears Club who passed away on February 9, 2018. The new building features include 14,000 square feet of new and enhanced multi-use training space, state-of-the-art weight room, nutrition bar, indoor turf training area, covered pavilion for Bears Club hospitality and engagement space for campus events, and enhanced team meeting spaces and coaches' offices. The building will support all 22 NCAA Division II sports at Lenoir Rhyne University.
- The City of Hickory completed their third year of improvements to L.P. Frans Stadium totaling \$1 million. The stadium is home of the Hickory Crawdads, the Class A Affiliate of the Texas Rangers. During the renovations, the playing surface including sod, warning track material and infield dirt was replaced and drainage beneath the field was improved. Overhead wiring behind home plate was installed to improve sight lines. Both dugouts received new flooring, benches, steps, and rebuilt helmet/bat racks. The plywood outfield walls were torn down and padded walls were installed. A new LED video board was also installed.
- New playground equipment, basketball goal, park benches, and trash receptacles have been purchased and are in the process of being installed at West Hickory Park using Community Development Block Grant funds. Project cost was \$32,020.79 for the equipment purchases.
- Various renovations in Cliff Teague Park included resurfacing the parking lot, creating a new sidewalk, adding new rails to an existing bridge, and resurfacing of a tennis court. The projects are being completed using Community Development Block Grant funds at a cost of \$118,474.79.
- The City continues to partner with Hickory Community Theatre on building improvements in downtown Hickory. The Hickory Community Theatre Board has requested renovation of the rehearsal hall on the upper level which will include removal of a column, installation of a steel structure beam, renovation of existing front windows,

demolition of the existing restroom, construction of a new restroom, new water cooler, and painting of all hallway walls. Project cost is estimated at approximately \$85,000.

The City is continuing the commitment to “Quality of Life” issues through the implementation of the City’s Master Plans and Initiatives that have been developed to retain and attract new residents to the City of Hickory.

### **Performance Measurement Program**

The City of Hickory has been a participant in the North Carolina Performance Measurement Project of the Institute of Government, University of North Carolina-Chapel Hill, since 1996. During that time, members of the program have developed and refined a uniform list of performance indicators for various municipal service activities. The measures set out below display the results of these activities for the City of Hickory over the last three fiscal years. These measurements can assist the reader in understanding how these services affect the equity position of the City from both a cost and efficiency perspective. A decrease in the cost of a particular service would result in an increase in equity. The converse is also true. The measures set out below are provided as an additional presentation of the City’s financial strength.

<b>Function/Program</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
<b>Public Safety</b>			
<b>Police Services</b>			
Cost per call dispatched	\$ 125	\$ 135	\$ 138
Calls dispatched	90,929	88,167	90,058
Uniform Crime Reporting Part I crimes reported	2,186	2,175	2,317
Uniform Crime Reporting Part I crimes per 1,000 pop.	54.2	53.8	57.0
Uniform Crime Reporting Part II crimes reported	3,357	3,375	3,450
Traffic accidents reported	3,706	3,555	3,570
Sworn Officers	116	116	116
Calls dispatched per sworn officer	784	760	776
Calls dispatched per 1,000 population	2,253	2,179	2,215
Response time to priority calls (minutes)	6.3	6.6	7.8
<b>Emergency Communications</b>			
Total calls per 1,000 population	--- *	--- *	--- *
Calls answered per telecommunicator	--- *	--- *	--- *
Seconds from initial ring to answer	--- *	5	5
Calls answered within three rings	--- *	--- *	--- *
E911 calls answered within 20 seconds**	--- *	--- *	--- *
<b>Fire Services</b>			
Cost per response	\$ 1,575	\$ 1,555	\$ 1,680
Actual fires per 1,000 population	5	5	4
Responses per 1,000 population	146	148	149
Fire inspections completed per 1,000 population	118	114	109
Inspections completed per Full Time Employee(FTE)	1,667	1,579	1,504
Average response time to priority 1 calls (minutes)	4.4	4.2	4.3
Fires confined to room(s) involved on arrival	68%	61%	60%
Fires for which cause is determined	93%	92%	85%

**Transportation**

## Asphalt Maintenance and Repair

Cost per ton of asphalt for contract resurfacing	\$	77	\$	77	\$	90
Lane miles maintained per 1,000 population		17.8		18.0		17.7
Potholes repaired within 24 hours		94%		92%		94%
Street segments rated 85% or better (ITRE)		39%		37%		27%

**Recycling**

Cost per ton collected	\$	171	\$	138	\$	136
Cost per collection point	\$	35	\$	30	\$	30
Tons recyclables per 1,000 population		63		65		66
Tons Solid Waste Landfilled per 1,000 population		175		180		182
Set out Rate		67%		65%		63%
Diversion Rate		26%		26%		27%

**Sanitation**

## Refuse Collection

Cost per ton collected	\$	79	\$	76	\$	46
Cost per collection point	\$	46	\$	45	\$	28
Tons per 1,000 population		175		180		182
Tons per 1,000 collection points		579		598		620
Tons collected per F.T.E.		1,883		1,945		1,973

**Yard Waste/Leaf Collection**

Cost per ton collected	\$	100	\$	72	\$	120
Cost per collection point	\$	54	\$	60	\$	77
Tons collected per 1,000 population		164		251		189
Tons collected per F.T.E.		1,657		1,043		790

Source: City Budget Office

**Long-Term Financial Planning** – The City of Hickory is addressing long-term improvements for its residents through cooperative efforts with other regional governments related to economic development and the expansion of the City’s utility network as a catalyst for growth.

- Citywalk, Riverwalk, Streetscapes/Gateways, and Trivium Corporate Center are the four major projects included in the City of Hickory’s \$40 million Economic Development Bond Referendum. All projects are underway and in various stages of the design and construction process. During this fiscal year, the first Gateway bond project was completed in April 2019. The Gateway at US Highway 321 and 70 includes a beautiful, artistic leaf structure surrounded by landscaping. Union Square renovations and Streetscape improvements, a \$3.53 million component of the Citywalk bond project, began construction in April 2019. Citywalk is expected to begin in the Fall of 2019.



- The City of Hickory was awarded a \$17 million 2018 Better Utilizing Investments to Leverage Development (BUILD) Transportation Discretionary Grant from the U.S. Department of Transportation (USDOT) in December 2018. The BUILD Transportation Grant program provides opportunities for USDOT to invest in roads and other projects that have a significant local or regional impact. The City will use the additional funding to increase the existing \$40 million bond referendum project scope approved by Hickory citizens in November 2014.
- The Deidra Lackey Memorial Park is a \$6 million donation by Robert Lackey and family to honor Robert's late wife. It will be the single largest donation in the City's history. The park will honor Deidra's memory by incorporating her love of children, gardening, and flowers. The project, which initially includes approximately 19 acres of the existing Rotary-Geitner Park, will consist of a boat dock, canoe/kayak launch, group picnic shelter, fishing pier, restrooms, Lake House event center with an amphitheater and event dock, and a Conservatory which will include extensive landscaping and gardens. Design development of the park will be completed in 2020.
- The City of Hickory conducted a water model analysis to help determine any deficiencies in the operations of the utility system. It was determined that an additional one million gallon elevated water storage tank should be constructed in the northeast quadrant of the system. The addition of this tank will greatly increase system redundancy, volumes of storage, and increase fire flow scenarios in the Lenoir Rhyne area. Construction cost of the tank is estimated to be \$3,440,000.
- Both Hickory and Claremont City Councils approved a contract for the sale of wastewater treatment services for flow into the Hickory-Catawba Wastewater Treatment Facility. The initial 20-year agreement will provide modern, cost effective treatment services for a 450,000 gallon capacity to the City of Claremont for future growth. Project cost is estimated at \$3 million with Catawba County paying up to \$1.5 million for construction and design of an Outfall Sanitary Sewer line to transport Claremont sewer to the Hickory-Catawba Wastewater Treatment Facility.
- The City of Hickory is currently designing the Murray Basin sewer project to continue the sustainability of the utility system. The project will renew existing infrastructure, return flow to existing City of Hickory facilities, and reduce costs of wastewater treatment by a contracted source. Estimated cost of the project is \$5 million.
- The City of Hickory continues its partnership with the Town of Catawba, Town of Maiden, City of Conover, and Catawba County to develop the NC Data Campus Project. The multi-jurisdictional park is located in Conover and is estimated to cost \$2,582,600 for total park development. The City of Hickory is a 19% ownership partner in the project and will contribute a maximum of \$490,694 to the project development costs. The City of Hickory will receive 19% of additional tax revenues generated from the park.

## **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hickory for its comprehensive annual financial report for the fiscal year ending June 30, 2018. This was the twenty-third consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

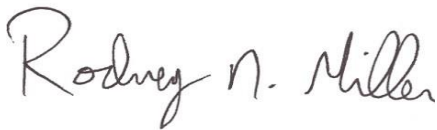
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

## **Acknowledgements**

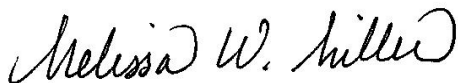
Preparation of this report could not have been accomplished without the professional, efficient, and dedicated efforts of the entire staff of Finance, the Budget Office, the various department heads, budget managers and coworkers who assisted and contributed to its preparation, and our independent auditors, Martin Starnes & Associates, CPAs, P.A. Each of them has our sincerest thanks.

In closing, appreciation is extended to the Mayor, City Council and City Manager for the encouragement, assistance and stewardship they have provided. It is a distinct pleasure to be associated with these individuals who appreciate and respect the principles of financial and budgetary restraint that prevail in the City of Hickory.

Respectfully submitted,



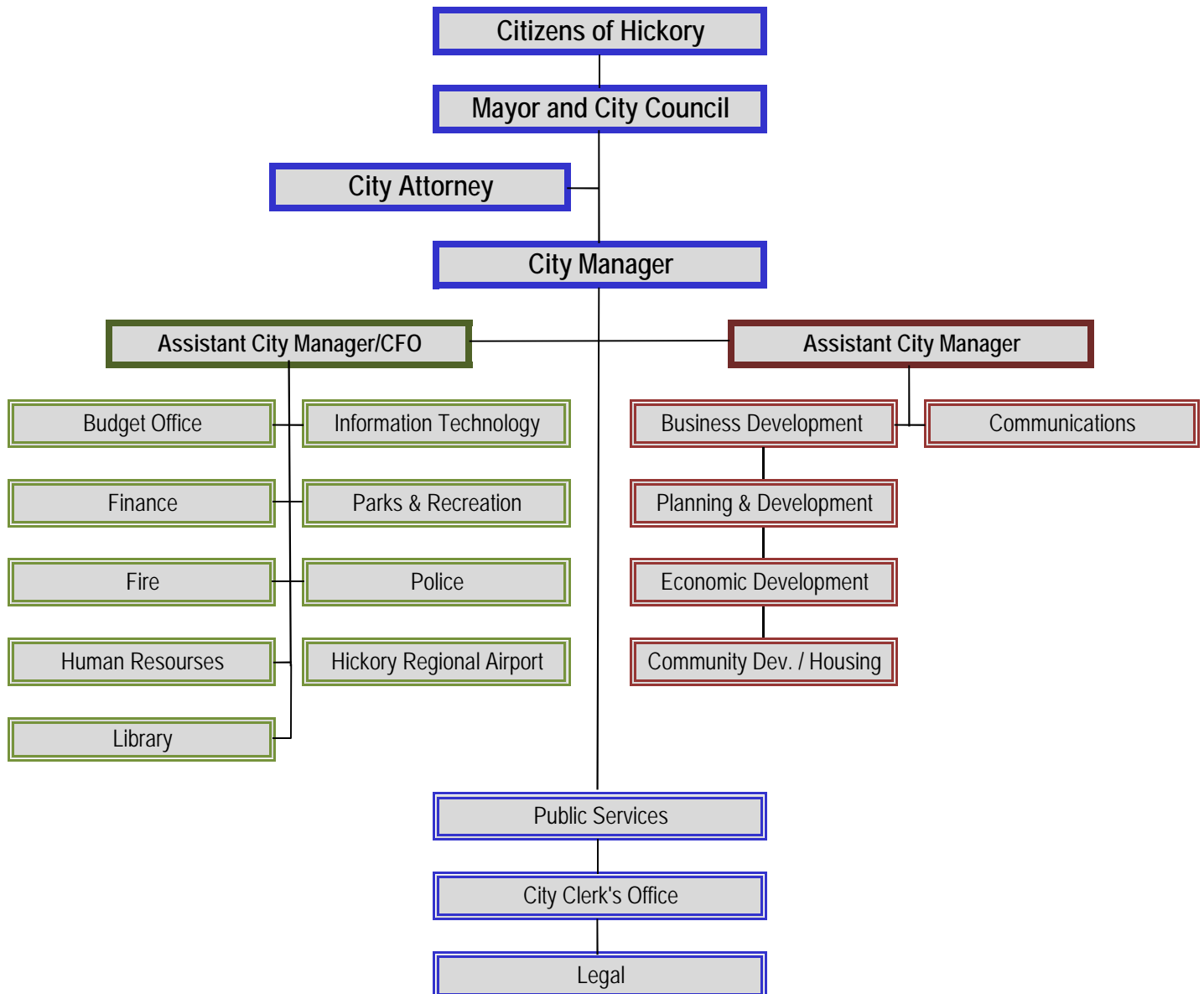
Rodney N. Miller  
Assistant City Manager/CFO



Melissa W. Miller  
Finance Officer

# City of Hickory

## Department Organizational Chart





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Hickory  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

**CITY OF HICKORY, NORTH CAROLINA**

**CITY COUNCIL**

**FISCAL YEAR JULY 1, 2018 - JUNE 30, 2019**

**City Council**

Hank Guess	Mayor
Brad Lail	Ward I
Charlotte Williams	Ward II
Danny Seaver	Ward III
David Williams	Ward IV
David Zagaroli	Ward V
Jill Patton	Ward VI



# **CITY OF HICKORY, NORTH CAROLINA**

## **CITY ADMINISTRATION**

**FISCAL YEAR JULY 1, 2018 - JUNE 30, 2019**

### **City Administration**

City Manager	Warren Wood
Assistant City Manager/CFO	Rodney Miller
Assistant City Manager	Rick Beasley
Assistant to the City Manager	Yaidee Fox
Airport Manager	Terry Clark
City Attorney	John W. Crone, III
Communications and Marketing Manager	Dana Kaminske
Deputy City Attorney	Arnita Dula
Finance Officer	Melissa Miller
Fire Chief	Matthew Hutchinson
Human Resources Director	Claudia Main
Information Technology Manager	Mike Woods
Library Director	Sarah Greene
Parks and Recreation Director	Mack McLeod
Planning Director	Brian Frazier
Police Chief	Thurman Whisnant
Public Services Director	Kevin Greer



#### **Hickory's Mission**

To deliver high quality services through excellent and ethical coworkers focused on innovation, communication and customer service.

## Financial Section





# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council  
City of Hickory  
Hickory, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hickory, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hickory, North Carolina, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, the Other Post-Employment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, and the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hickory's basic financial statements. The introductory section, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, other schedules, statistical section, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and; accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2019 on our consideration of the City of Hickory's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hickory's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hickory's internal control over financial reporting and compliance.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
October 11, 2019



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hickory, we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2019. We encourage readers to consider the information here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-8 of this report.

### Financial Highlights for Fiscal Year 2019

- The assets of the City of Hickory exceeded its liabilities at the close of the most recent fiscal year by \$228,552,400 (net position). Of this amount, \$41,563,062 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$8,920,582.
- As of the close of the current fiscal year, the City of Hickory's governmental funds reported combined ending fund balances of \$52,465,246, an increase of \$12,851,854, in comparison with the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$20,116,901, or 39.36%, of the General Fund budget for the fiscal year 2019-2020.
- The City of Hickory's total debt increased by \$415,622, which includes unfunded law enforcement officers' pension, other post-employment benefits (OPEB) and compensated absences liabilities. The City's total indebtedness is \$69,415,102.
- The City's legal debt limit is \$377,763,227 (8% of assessed valuation), and the City's legal debt margin is \$348,740,802. The total legal indebtedness of the City is \$43,026,003, which represents 0.88% of assessed valuation.

### Using the Financial Section of this Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report (CAFR) consists of four sections: introductory, financial, statistical, and single audit. The financial section of the report has three components: management's discussion and analysis, the basic financial statements, and required supplementary information.

The City of Hickory's CAFR has been prepared in accordance with Governmental Accounting Standards Board Statement 34 (GASB 34) and presents two types of statements, each with a different picture of the City's financial operations. These statements focus on the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the City's overall financial health. The fund financial statements focus on the individual components of City government and report the City's operations in greater detail than the government-wide presentations.

**Government-Wide Financial Statements** – These statements present financial information about the City as a whole. When evaluating the City's overall financial health it is appropriate to present information to determine "Is the City as a whole better or worse off as a result of the current year's activities?" The Statement of Net Position and the Statement of Activities provide a response to this question. These statements, prepared under the full-accrual basis of accounting, present information about all assets and liabilities of the City in a manner similar to the consolidated business statements of private companies. Under this basis, all of the current year's revenues and expenses are included regardless of when cash is received or paid.

The Statement of Net Position reflects the City's net position at the end of the fiscal year. The net position of the City is the difference between assets: what the citizens own, and liabilities: what the citizens owe. Over time, increases or decreases in the City's net position become an indicator in determining if the City's financial health is improving or declining. However, a comprehensive evaluation of the City's financial health should also include other non-financial information such as changes in the City's property tax base and the condition of the City's capital assets (roads, buildings, water/sewer lines, etc.).

The Statement of Activities reflects the changes in the City's net position that occurred during the fiscal year. These changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Accordingly, revenues and expenses are reported for some items that will only result in cash flows in future fiscal years (i.e. uncollected property taxes and earned but unused vacation leave).

The government-wide financial statements are divided into two types of activities:

**Governmental Activities** – These activities of the City of Hickory include general government, public safety, highways and streets, economic and physical development and culture and recreation. These activities are principally supported by property taxes, sales taxes, and intergovernmental revenues.

**Business-Type Activities** – The City of Hickory charges fees to recover all or some of the costs associated with providing certain services. The City's water and sewer, sludge, stormwater, transportation and solid waste services are reported here.

There are no component units of the City of Hickory included in this report.

The government-wide financial statements are located on pages 30-32 of this report.

**Fund Financial Statements** – Experienced readers of governmental financial statements will find these financial statements most familiar. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hickory uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Hickory are divided into two categories: governmental funds and proprietary funds.

**Governmental funds** – Most of the City's basic services are reported in governmental funds that focus on how money flows in/out of the fund and balances remaining at year-end that are available for spending in future years. The narrower focus of the governmental funds allows the reader to compare the information presented for each fund with similar information presented for governmental activities in the government-wide financial statements. This comparison allows the reader to better understand the long-term impact of the City's near-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City of Hickory maintains seven individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance for the General Fund, which is the only major fund. Individual fund data for all non-major governmental funds is provided in the form of combining statements located on pages 105-108 of this report.

The City of Hickory adopts an annual operating budget for its governmental funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements are located on pages 33-37 of this report.

Proprietary funds – The City of Hickory maintains two types of proprietary funds: enterprise funds and internal service funds.

Enterprise funds are used to report those functions presented as business-type activities in the government-wide financial statements. The City of Hickory accounts for its water/sewer services, solid waste services, sludge composting, stormwater system and transportation services in enterprise funds.

Internal service funds are an accounting mechanism used to accumulate and allocate costs internally among the City's various functions. The City of Hickory accounts for its fleet maintenance services and insurance services in internal service funds.

Proprietary funds provide in greater detail the information presented in the government-wide financial statements. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, Transportation Fund and the Solid Waste Services Fund, which are considered major funds. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for nonmajor enterprise funds and internal service funds is provided in the form of combining statements located on pages 122-133 of this report.

The City of Hickory adopts an annual operating budget for its proprietary funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The proprietary fund financial statements are located on pages 38-42 of this report.

Notes to the financial statements – The notes contain additional essential information necessary for the reader to gain a more complete understanding of the information presented in the government-wide and fund financial statements. The notes to the financial statements are located on pages 43-89 of this report.

Other information – Along with the basic financial statements and accompanying notes, this report also contains certain required supplementary information related to the City of Hickory's progress in funding the Law Enforcement Officers' Special Separation Allowance and OPEB. Required supplementary information is located on pages 90-94 of this report.

## **Government-Wide Financial Analysis**

**Net Position** - As noted earlier, net position may serve, over time, as a useful indicator of a government's financial status. In the case of the City of Hickory, assets exceeded liabilities by \$228,552,400 for the fiscal year ended June 30, 2019.

The largest portion of the City of Hickory's net position, 75.61%, reflect its investments in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Hickory uses its capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City of Hickory's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 59,040,616	\$ 44,069,095	\$ 45,172,642	\$ 40,653,819	\$ 104,213,258	\$ 84,722,914
Notes receivable	2,276,000	2,837,400	-	-	2,276,000	2,837,400
Capital assets	61,798,685	55,797,980	144,745,107	144,883,065	206,543,792	200,681,045
Deferred outflows of resources	7,953,261	5,818,878	1,786,893	1,316,542	-	7,135,420
Total assets	<u>131,068,562</u>	<u>108,523,353</u>	<u>191,704,642</u>	<u>186,853,426</u>	<u>313,033,050</u>	<u>295,376,779</u>
Long-term liabilities outstanding	21,194,222	5,071,990	26,022,677	28,699,576	47,216,899	33,771,566
Other liabilities	33,491,972	31,079,439	9,979,393	9,092,197	43,471,365	40,171,636
Deferred inflows of resources	2,788,375	1,444,358	744,160	357,401	-	1,801,759
Total liabilities	<u>57,474,569</u>	<u>37,595,787</u>	<u>36,746,230</u>	<u>38,149,174</u>	<u>90,688,264</u>	<u>75,744,961</u>
Net position:						
Net investment in capital assets	53,510,932	55,745,847	119,304,991	116,724,413	172,815,923	172,470,260
Restricted	14,173,415	9,204,898	-	-	14,173,415	9,204,898
Unrestricted	<u>5,909,646</u>	<u>5,976,821</u>	<u>35,653,416</u>	<u>31,979,839</u>	<u>41,563,062</u>	<u>37,956,660</u>
Total net position	<u>\$ 73,593,993</u>	<u>\$ 70,927,566</u>	<u>\$ 154,958,407</u>	<u>\$ 148,704,252</u>	<u>\$ 228,552,400</u>	<u>\$ 219,631,818</u>

An additional portion of the City of Hickory's net position, \$14,173,415 represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position, \$41,563,062, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Hickory is able to report positive balances in all three categories of net position: the government as a whole, governmental-type activities and business-type activities.

### Financial Indicators and Ratios

The following financial indicators and ratios can be used to assist the reader in assessing the financial strength of the City of Hickory. When used in conjunction with other financial information contained in this report, the City's financial strength becomes apparent.

**Working Capital** – is the difference between current assets and current liabilities. Sources of working capital are income from operating activities, sale of non-current assets or the issuance of long-term debt. Uses of working capital include losses from operating activities, purchase of non-current assets or retirement of long-term debt. The working capital of the City of Hickory is \$90,038,365, which consists of \$50,936,883 from governmental activities and \$39,101,482 from business-type activities. Working capital increased by \$16,817,234 for the fiscal year ended June 30, 2019.

**Current Ratio** – is the ratio of total current assets to current liabilities. This ratio is an indicator of the City's ability to meet its short-term obligations, and is expressed as coverage of so many dollars of current assets/current liabilities. The City of Hickory's current ratio is 7.22 on a Citywide basis, 7.05 for governmental activities, and 7.44 for business-type activities. More simply stated, the City has \$7.22 of current assets for each \$1.00 of current liabilities on a Citywide basis. The Citywide current ratio increased by .15 during FY 2019.



**Acid Test or Quick Ratio** – relates total current liabilities to cash, marketable securities and accounts receivable: “quick assets”. This is an additional short-term liquidity measure providing an additional comparison with the current ratio. This is also expressed on a coverage basis. The City of Hickory’s quick ratio is 7.10 on a Citywide basis, 6.80 for governmental activities and 7.52 for business-type activities. Or, more simply stated the City has \$7.10 of “quick” assets for each \$1.00 of current liabilities on a Citywide basis. The Citywide quick ratio increased by \$.19 during FY 2019.

**Days Cash and Investments in Reserve** – represents the number of days that normal operations of the City of Hickory could continue with no revenue collections. The results of this ratio indicate that the City of Hickory could operate 753 days on a Citywide basis, 250 days for governmental activities and 461 days for business-type activities. This measure increased by 52 days in FY 2019.

**Total Liabilities to Net Position** – this ratio, expressed as a percentage, compares the total obligations (liabilities) of the City of Hickory to current equity (net position). It represents the extent to which borrowing has been used to finance short-term operations. The total liabilities to net position for the City of Hickory is 101% on a Citywide basis, 74% for governmental activities and 23% for business-type activities. The Citywide ratio increased 25% during FY2019.

**Total Liabilities to Total Assets** – this ratio compares the total obligations of the City of Hickory to total assets. It is an indicator of the level of borrowing that has been used to finance operations of the City on a long-term basis. Total liabilities to total assets for the City of Hickory is 13% on a Citywide basis, 44% for governmental activities and 19% for business-type activities. This ratio increased 3% from the previous fiscal year.

**Non-Current Liabilities to Total Assets** – this ratio compares the long-term debt of the City of Hickory to total assets. It is another indicator of the long-term financial strength of the City. Non-current liabilities to total assets for the City of Hickory is 2% on a city-wide basis, 15% for governmental activities and 12% for business-type activities. This ratio remained consistent from the previous fiscal year.

**Days Receivable** – represents the number of days on average it took to collect accounts receivable. This number demonstrates the extent to which current operations are impacted by the collection of accounts receivable. This ratio is provided only for the business-type activities of the City of Hickory, which consist primarily of utility accounts. Days receivable for business-type activities is 41 days for the City of Hickory. Days receivable increased by 1 day during FY 2019.

**Change in Net Position** - The government's net position increased by \$8,920,582 during the current fiscal year. The governmental activities net position increased \$2,666,427 and the business type activities increased \$6,254,155. This increase represents the degree to which increases in ongoing revenues have exceeded increases in ongoing expenses. A summary of the changes follows:

## Changes in Net Position

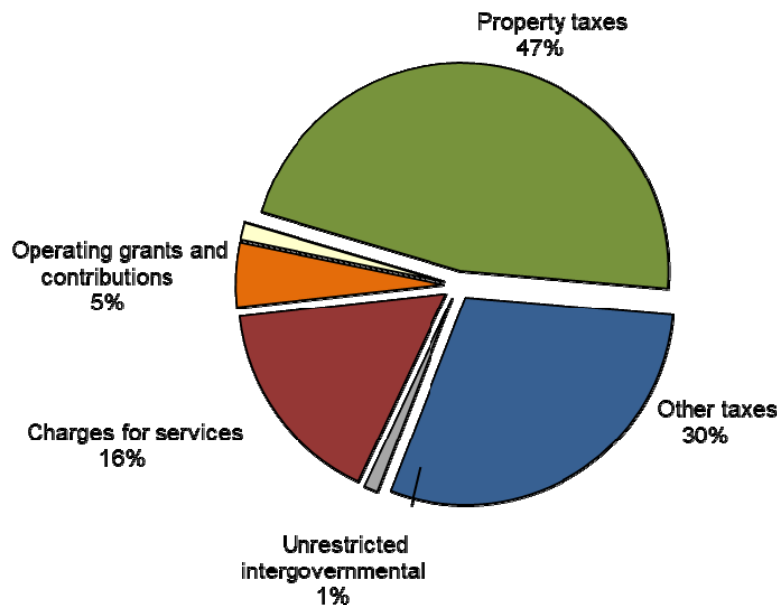
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Revenues:						
Program revenues:						
Charges for services	\$ 9,768,164	\$ 8,795,060	\$ 33,248,878	\$ 31,859,938	\$ 43,017,042	\$ 40,654,998
Operating grants and contributions	2,989,668	3,172,997	2,579,212	1,987,390	5,568,880	5,160,387
Capital grants and contributions	797,726	2,113,962	308,520	760,895	1,106,246	2,874,857
General revenues:						
Property taxes	28,019,929	27,222,941	-	-	28,019,929	27,222,941
Other taxes	17,692,047	16,853,553	-	-	17,692,047	16,853,553
Unrestricted intergovernmental	641,027	660,473	-	-	641,027	660,473
Unrestricted investment earnings	1,403,393	195,769	1,155,081	173,555	2,558,474	369,324
Total revenues	<u>61,311,954</u>	<u>59,014,755</u>	<u>37,291,691</u>	<u>34,781,778</u>	<u>98,603,645</u>	<u>93,796,533</u>
Expenses:						
General government	13,828,049	12,767,254	-	-	13,828,049	12,767,254
Public safety	24,295,446	23,107,639	-	-	24,295,446	23,107,639
Transportation	6,993,677	6,258,370	-	-	6,993,677	6,258,370
Economic and physical development	4,301,391	3,737,258	-	-	4,301,391	3,737,258
Culture and recreation	7,069,437	6,742,733	-	-	7,069,437	6,742,733
Water	-	-	9,384,793	8,346,934	9,384,793	8,346,934
Sewer	-	-	14,062,054	12,765,273	14,062,054	12,765,273
Sludge composting	-	-	2,033,150	1,980,531	2,033,150	1,980,531
Stormwater	-	-	541,921	457,877	541,921	457,877
Airport	-	-	1,620,372	1,523,461	1,620,372	1,523,461
Recycling	-	-	3,026,079	2,917,593	3,026,079	2,917,593
Sanitation	-	-	1,947,621	1,822,792	1,947,621	1,822,792
Interest on long-term debt	579,073	88,128	-	-	579,073	88,128
Total expenses	<u>57,067,073</u>	<u>52,701,382</u>	<u>32,615,990</u>	<u>29,814,461</u>	<u>89,683,063</u>	<u>82,515,843</u>
Change in net position before transfers	4,244,881	6,313,373	4,675,701	4,967,317	8,920,582	11,280,690
Transfers	<u>(1,578,454)</u>	<u>494,163</u>	<u>1,578,454</u>	<u>(494,163)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>2,666,427</u>	<u>6,807,536</u>	<u>6,254,155</u>	<u>4,473,154</u>	<u>8,920,582</u>	<u>11,280,690</u>
Net position, previously reported	70,927,566	74,275,073	148,704,252	147,098,940	219,631,818	221,374,013
Restatement	<u>-</u>	<u>(10,155,043)</u>	<u>-</u>	<u>(2,867,842)</u>	<u>-</u>	<u>(13,022,885)</u>
Net position, beginning, restated	<u>70,927,566</u>	<u>64,120,030</u>	<u>148,704,252</u>	<u>144,231,098</u>	<u>219,631,818</u>	<u>208,351,128</u>
Net position, end of the year	<u>\$ 73,593,993</u>	<u>\$ 70,927,566</u>	<u>\$ 154,958,407</u>	<u>\$ 148,704,252</u>	<u>\$ 228,552,400</u>	<u>\$ 219,631,818</u>

**Governmental Activities** - Governmental activities increased the City of Hickory's net position by \$2,666,427.

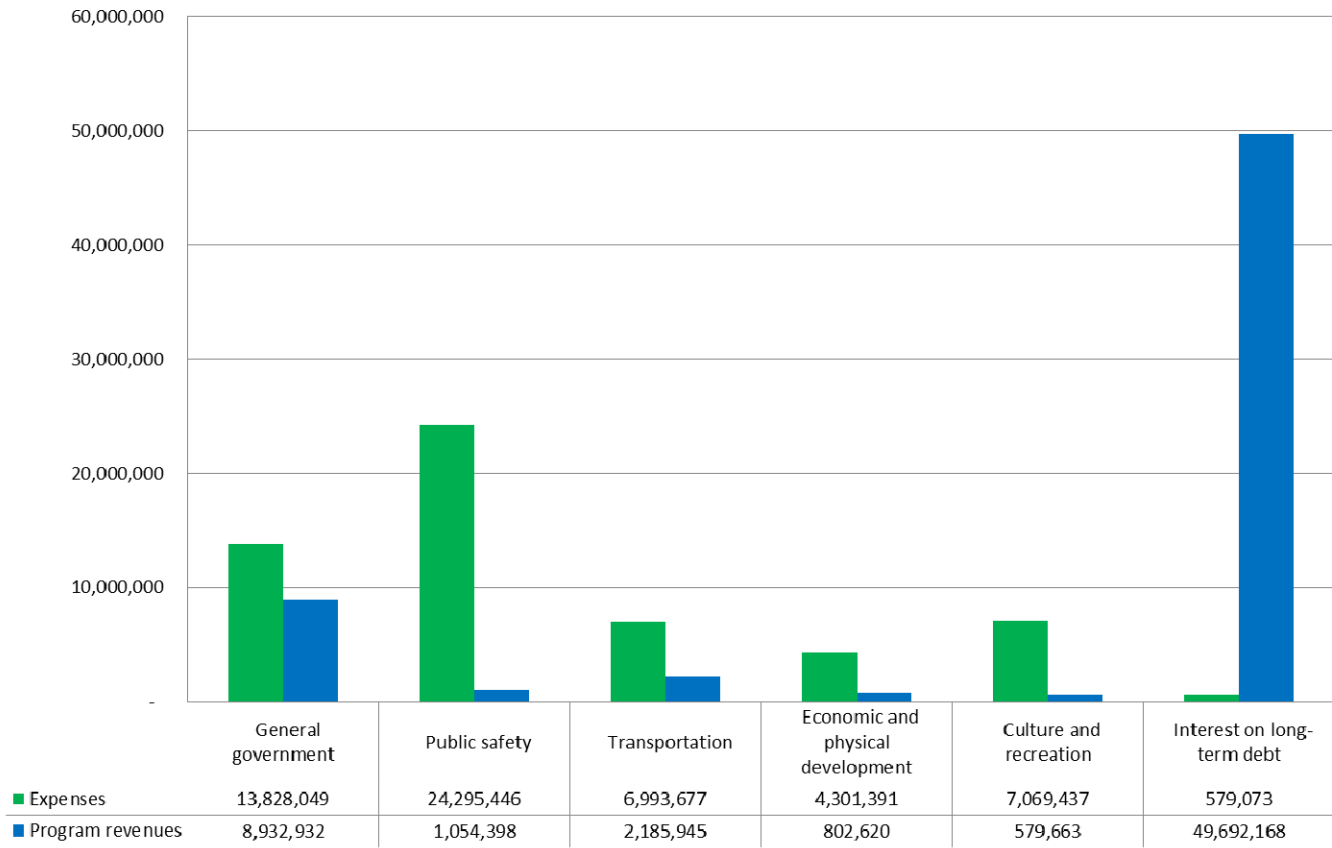
Summaries of these include:

- Total expenses increased \$4,141,109, or 7.9%, for fiscal year 2019.
- Overall revenues decreased, with program revenues increasing \$526,461, or 3.9%, and general revenues increasing \$2,823,660, or 6.3%.
- Operating grants and contributions for governmental activities totaled \$2,989,668. The grant awards furnished resources to support the following functions: general government (\$90,262), police and fire (\$839,003), Powell Bill and street maintenance (\$1,353,814), economic and physical development (\$405,959), and culture and recreation (\$300,630).

**2019 Governmental Activities Revenues - \$61,311,954**



**2019**  
**Expenses and Program Revenues - Governmental Activities**

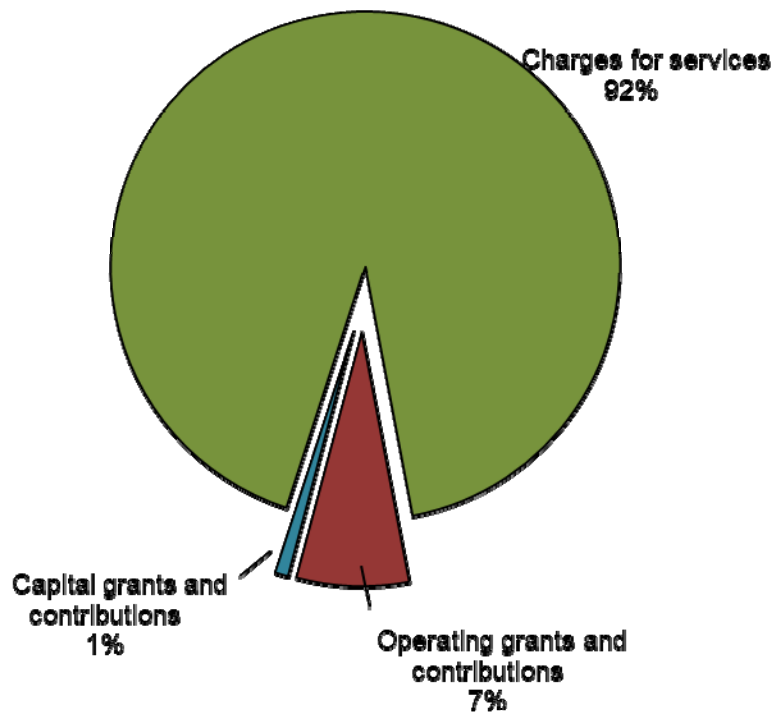


**Business-Type Activities** - Business-type activities increased the City of Hickory's net position by \$6,254,155.

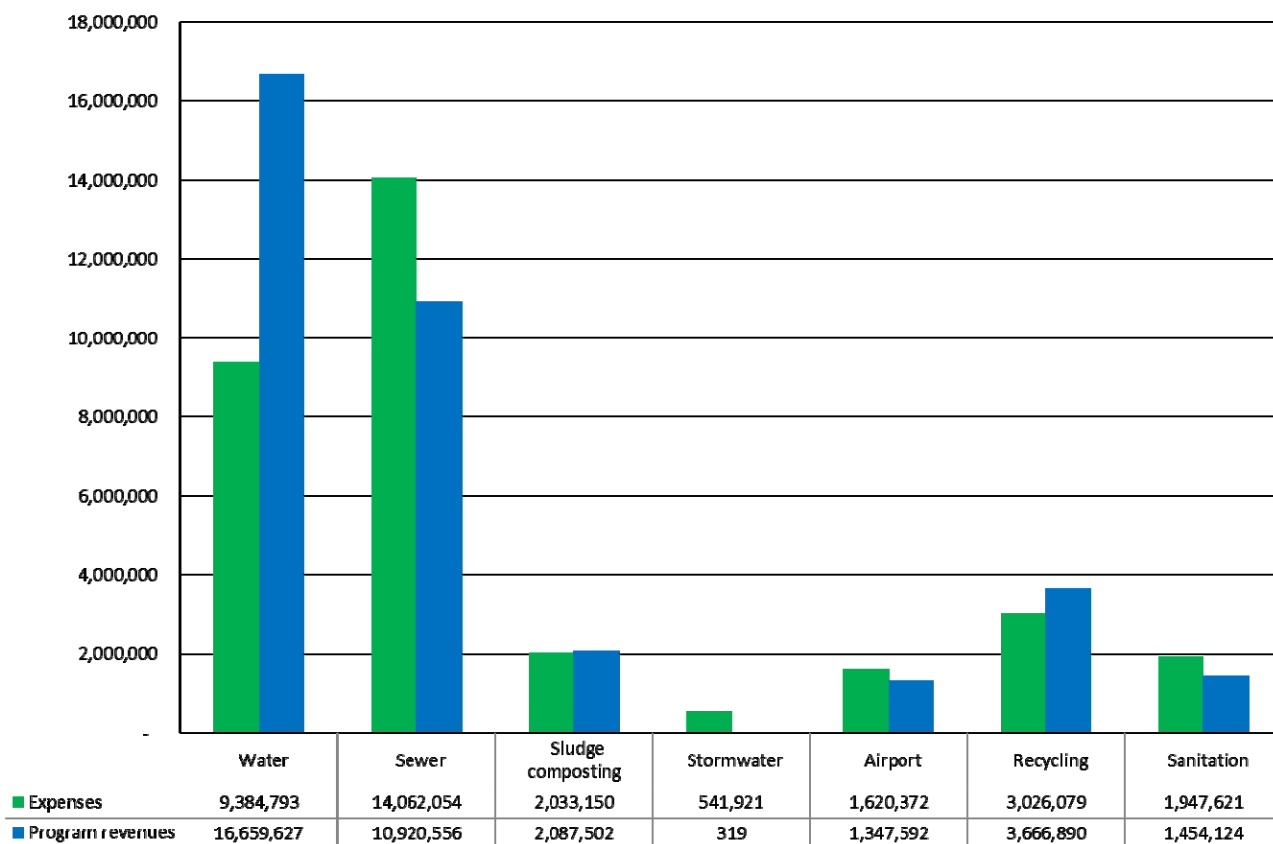
Summaries of these include:

- Programs revenues increased \$1,528,387, or 4.42%.
- Capital grants and contributions for business-type activities totaled \$308,520. The grant awards and contributions furnished resources to support the following activities: water \$136,000, sewer \$16,493, and airport \$156,027.
- Transfers to business type activities were (\$1,578,454) to fund capital projects.

**2019 Business-type Activities Revenues - \$37,291,691**



**2019 Expenses and Program Revenues - Business-type Activities**



### Financial Analysis of the Funds

As noted earlier, the City of Hickory uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City of Hickory's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *usable* resources. Such information is useful in assessing the City of Hickory's financing requirements.

As of the end of the current fiscal year, the City of Hickory's governmental funds reported combined ending fund balances of \$52,465,246, an increase of \$12,851,854 in comparison with the prior year. Of this total amount, \$20,017,792 constitutes *unassigned fund balance*, has no constraints on its use. The remainder of fund balance is broken down as follows:

- Non-Spendable: \$2,757,409 - resources not in spendable form, for example, inventories and prepaid items.
- Restricted: \$22,579,281 - resources specifically restricted by provider.
- Committed: \$5,701,089 - resources committed by formal action of governing body.
- Assigned: \$1,409,675 - resources assigned by the intent of use, not by formal enactment.

**General Fund.** The General Fund is the chief operating fund of the City of Hickory. At the end of the fiscal year, fund balance available in the General Fund was \$21,526,576. Total fund balance was \$38,294,105. As a measure of the fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 50.5% of total General Fund expenditures, while total fund balance represents 71.3% to that same amount.

The fund balance of the City of Hickory's General Fund increased by \$515,436 during the current fiscal year.

Summaries of these include:

- General government expenditures increased \$631,200 largely due to a fire truck purchase and land purchases.
- Transfers out increased \$1,690,737 to fund capital projects.

**Proprietary Funds.** The City of Hickory's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$33,554,579. The total increase in net position was \$6,552,216. The Transportation Fund had an unrestricted net position of \$61,916, with a decrease in net position of \$243,910. Unrestricted net position of the Solid Waste Fund amounted to \$1,212,690, with total net position reflecting an increase of \$190,057. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Hickory's business-type activities.

### **Budgetary Highlights**

**General Fund.** The difference between the original budget and the final amended budget was \$21,389,379, and can be briefly summarized as follows:

- \$481,019 in increases allocated to general governmental activities.
- \$1,634,348 in increases allocated to public safety.
- \$408,486 in increases allocated to transportation.
- \$144,313 in increases allocated to economic and physical development.
- \$717,045 in increases allocated to culture and recreation.
- \$409,001 in decreases for contingency.
- \$18,090,354 in increases allocated to transfers out of General Fund to other funds.
- \$290,393 in decreases for debt service.

The General Fund recognized a positive variance of \$7,424,341 between the final amended budget and the total actual expenditures. This variance can be summarized as follows:

- Approximately \$1,814,918 of the variance is due to reduced costs of salary and benefits because of retirements, vacancies and elimination of positions.
- Approximately \$1,825,436 remained encumbered for capital equipment and vehicles, which were not delivered before June 30.
- The remaining variance is the result of a variety of activities and is individually insignificant.

**General Capital Projects Fund.** The General Capital Projects Fund saw an increase in authorized expenditures of \$292,897 for the fiscal year ending June 30, 2019. The following general capital projects contributed to key increases:

- The Hwy 321/70 Gateway bond project authorizations increased \$337,810, most of which were related to design and construction.
- Union Square bond project authorizations increased \$128,000 for construction and miscellaneous expenditures.
- The Salt Block Pocket Park project authorizations decreased by \$100,000 due to the project closure in Fiscal Year 2019.

## Capital Asset and Debt Administration

**Capital Assets.** The City of Hickory's investment in capital assets for its governmental and business type activities as of June 30, 2019, amounts to \$206,558,232 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways and bridges. Major capital asset events during the current fiscal year included the following:

- Purchase of a new automated sidewinder and Mack frontloader for the Solid Waste Department.
- Repair of Henry River aerial sewerlines.
- City Hall 2<sup>nd</sup> floor renovations.
- Purchase of Hypochlorite Generation System at the Water Plant.
- Purchase of a bucket loader for Street Department.
- Management and design of bond projects.
- Purchase of Spartan fire ladder truck.

### Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 12,617,155	\$ 12,617,156	\$ 5,329,400	\$ 5,329,400	\$ 17,946,555	\$ 17,946,556
Land improvements	-	-	7,068,587	7,068,587	7,068,587	7,068,587
Buildings and improvements	15,707,464	16,330,099	30,198,688	34,038,830	45,906,152	50,368,929
Equipment	3,707,359	3,570,030	5,217,568	4,911,184	8,924,927	8,481,214
Vehicles	4,293,817	3,219,848	2,503,602	2,119,451	6,797,419	5,339,299
Road network	10,742,532	10,494,576	3,022,362	1,530,914	13,764,894	12,025,490
Operating plants	-	-	19,662,610	20,235,366	19,662,610	20,235,366
Waterlines	-	-	24,358,907	22,784,446	24,358,907	22,784,446
Sewerlines	-	-	35,440,613	36,083,051	35,440,613	36,083,051
Construction in progress	14,744,798	9,566,271	11,942,770	10,781,839	26,687,568	20,348,110
Total capital assets	<u>\$ 61,813,125</u>	<u>\$ 55,797,980</u>	<u>\$ 144,745,107</u>	<u>\$ 144,883,068</u>	<u>\$ 206,558,232</u>	<u>\$ 200,681,048</u>

Additional information on the City of Hickory's capital assets can be found in Note 6 on pages 61-65 of this report.



## Debt

The City's bond rating is Aa2 and AA+ by Moody's Investors Service and S&P Global Ratings, respectively. Gross debt obligations of the City are \$44,606,002 as of June 30, 2019. Gross debt consists of installment purchase agreements of \$12,510,770, notes payable of \$17,095,232, and general obligation bonds \$15,000,000.

The City's legal debt cannot exceed 8% of the assessed value of taxable property. The legal debt margin of the City at June 30, 2019, was \$348,740,802.

Installment purchase agreements related to the Radio System Upgrade and the Convention Center amount to \$2,585,888 and are obligations of the General Fund. Water and sewer line extensions related to Annexation Area II, the Maiden area, and Henry River Basin sewer, along with upgrades to the Hickory-Catawba Wastewater Treatment Plant amount to \$9,924,881 and are obligations of the Water and Sewer Fund. Notes payable amounting to \$17,095,232 for low interest loans related to water and sewer capital improvements are recorded as obligations of the Water and Sewer Fund.

Debt service costs comprise 2% of expenditures of the General Fund and 14.6% of the Water and Sewer Fund.

At the end of the current fiscal year, the City of Hickory had \$15,000,000 in bonded debt outstanding.

The City of Hickory's total debt increased by \$415,622 during the current fiscal year.

Additional information relating to debt service activity, intergovernmental agreements on repayment and historical information concerning the City's debt position can be found on pages 66-71 of this report.

### Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Accrued law enforcement officer's unfunded retirement contribution	\$ 3,544,975	\$ 3,559,244	\$ -	\$ -	\$ 3,544,975	\$ 3,559,244
Compensated absences	2,435,672	2,390,069	570,218	540,925	3,005,890	2,930,994
Unfunded OPEB obligations	7,423,574	17,786,111	2,506,927	5,342,863	9,930,501	23,128,974
Net pension liability (LGERS)	8,429,216	5,633,923	2,107,304	1,325,773	10,536,520	6,959,696
Installment purchase agreements	2,585,888	2,681,922	9,924,882	11,496,541	12,510,770	14,178,463
Notes payable	-	-	17,095,232	18,242,109	17,095,232	18,242,109
Bonds payable	15,000,000	-	-	-	15,000,000	-
Total	<u>\$ 39,419,325</u>	<u>\$ 32,051,269</u>	<u>\$ 32,204,563</u>	<u>\$ 36,948,211</u>	<u>\$ 71,623,888</u>	<u>\$ 68,999,480</u>

### Economic Factors and Next Year's Budget and Rates

- Revenue estimates contained in the City of Hickory's Fiscal Year 2019-2020 Annual Budget were developed conservatively in response to continued uncertain economic factors.
- The City of Hickory's property tax rate is \$0.5875 per \$100 valuation. This rate will provide approximately \$28,975,000 in property tax revenue. The property tax base is estimated to be \$5,007,451,993.
- The Fiscal Year 2020 budget maintains the current level of employee benefits in addition to an increase of the City's portion of 401k match from 1% to 2%.
- There will be slight increases to City charges and fees.

These factors were considered in preparation of the City of Hickory's budget for the Fiscal Year 2020.

In Fiscal Year 2020, the City of Hickory has appropriated \$740,000 of unassigned General Fund balance to finance the general operations of the City.

The original budget for Fiscal Year 2020 increased 6.9% over the previous fiscal year. This funding level provides for the continuation of all basic City services, appropriations for the City's long-range and master plans, contingency appropriations to address unanticipated expenses, and continued appropriations to the Capital Reserve Fund for future capital needs.

### **Request for Information**

This financial report is designed to provide a general overview of the City of Hickory's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Hickory, Finance Department, PO Box 398, Hickory, NC 28603.

## **Basic Financial Statements**



## CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 44,158,477	\$ 40,869,631	\$ 85,028,108
Taxes receivable, net	484,789	-	484,789
Accounts receivable, net	1,318,656	3,644,720	4,963,376
Note receivable	2,276,000	-	2,276,000
Due from other governments	2,797,106	475,939	3,273,045
Internal balances	1,091,315	(1,091,315)	-
Inventories	238,412	520,363	758,775
Prepaid items	469,347	77,614	546,961
Cash and cash equivalents, restricted	8,482,514	675,690	9,158,204
Land and construction in progress	27,347,510	24,340,757	51,688,267
Other capital assets, net of depreciation	34,451,175	120,404,350	154,855,525
Total assets	<u>123,115,301</u>	<u>189,917,749</u>	<u>313,033,050</u>
<b>Deferred Outflows of Resources:</b>			
OPEB deferrals	838,157	251,777	1,089,934
Pension deferrals	7,115,104	1,535,116	8,650,220
Total deferred outflows of resources	<u>7,953,261</u>	<u>1,786,893</u>	<u>9,740,154</u>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	5,155,483	2,374,608	7,530,091
Prepaid fees	13,181	67,110	80,291
Liabilities to be paid from restricted assets:			
Customer deposits	76,648	675,690	752,338
Long-term liabilities:			
Net pension liability - LGERS	8,531,867	2,004,654	10,536,521
Total pension liability - LEOSSA	3,544,975	-	3,544,975
Total OPEB liability	16,169,818	4,857,336	21,027,154
Due within one year	2,556,056	2,860,935	5,416,991
Due in more than one year	18,638,166	23,161,742	41,799,908
Total liabilities	<u>54,686,194</u>	<u>36,002,075</u>	<u>90,688,269</u>
<b>Deferred Inflows of Resources:</b>			
Pension deferrals	612,365	92,817	705,182
OPEB deferrals	2,168,286	651,343	2,819,629
Prepaid taxes	7,724	-	7,724
Total deferred inflows of resources	<u>2,788,375</u>	<u>744,160</u>	<u>3,532,535</u>
<b>Net Position:</b>			
Net investment in capital assets	53,510,932	119,304,991	172,815,923
Restricted for:			
Stabilization for state statute	7,350,945	-	7,350,945
Public safety	641,431	-	641,431
Economic and development	6,181,039	-	6,181,039
Unrestricted	5,909,646	35,653,416	41,563,062
Total net position	<u>\$ 73,593,993</u>	<u>\$ 154,958,407</u>	<u>\$ 228,552,400</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 13,828,049	\$ 8,842,670	\$ 90,262	\$ -
Public safety	24,295,446	215,395	839,003	-
Transportation	6,993,677	34,405	1,353,814	797,726
Economic and physical development	4,400,099	396,661	504,667	-
Culture and recreation	7,069,437	279,033	300,630	-
Interest on long-term debt	579,073	-	-	-
Total governmental activities	<u>57,165,781</u>	<u>9,768,164</u>	<u>3,088,376</u>	<u>797,726</u>
<b>Business-Type Activities:</b>				
Water	9,384,793	16,328,976	194,651	136,000
Sewer	14,062,054	10,542,569	361,494	16,493
Sludge composting	2,033,150	96,243	1,991,259	-
Stormwater	541,921	319	-	-
Airport	1,620,372	1,182,435	9,130	156,027
Recycling	3,026,079	3,644,212	22,678	-
Sanitation	1,947,621	1,454,124	-	-
Total business-type activities	<u>32,615,990</u>	<u>33,248,878</u>	<u>2,579,212</u>	<u>308,520</u>
Total primary government	<u>\$ 89,781,771</u>	<u>\$ 43,017,042</u>	<u>\$ 5,667,588</u>	<u>\$ 1,106,246</u>

The accompanying notes are an integral part of the financial statements.

# CITY OF HICKORY, NORTH CAROLINA

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

	<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Functions/Programs:</b>			
<b>Primary Government:</b>			
<b>Governmental Activities:</b>			
General government	\$ (4,895,117)	\$ -	\$ (4,895,117)
Public safety	(23,241,048)	-	(23,241,048)
Transportation	(4,807,732)	-	(4,807,732)
Economic and physical development	(3,498,771)	-	(3,498,771)
Culture and recreation	(6,489,774)	-	(6,489,774)
Interest on long-term debt	(579,073)	-	(579,073)
Total governmental activities	<u>(43,511,515)</u>	<u>-</u>	<u>(43,511,515)</u>
<b>Business-Type Activities:</b>			
Water	-	7,274,833	7,274,833
Sewer	-	(3,141,497)	(3,141,497)
Sludge composting	-	54,352	54,352
Stormwater	-	(541,602)	(541,602)
Airport	-	(272,780)	(272,780)
Recycling	-	640,811	640,811
Sanitation	-	(493,497)	(493,497)
Total business-type activities	<u>-</u>	<u>3,520,620</u>	<u>3,520,620</u>
Total primary government	<u>(43,511,515)</u>	<u>3,520,620</u>	<u>(39,990,895)</u>
<b>General Revenues:</b>			
Ad valorem taxes	28,019,929	-	28,019,929
Sales taxes	11,016,777	-	11,016,777
Franchise taxes	3,349,937	-	3,349,937
Telecommunication tax	793,021	-	793,021
Motel/occupancy tax	2,177,957	-	2,177,957
Vehicle tag tax	185,639	-	185,639
Gross receipts tax	168,716	-	168,716
Unrestricted intergovernmental	641,027	-	641,027
Unrestricted investment earnings	<u>1,403,393</u>	<u>1,155,081</u>	<u>2,558,474</u>
Total general revenues	47,756,396	1,155,081	48,911,477
Transfers	<u>(1,578,454)</u>	<u>1,578,454</u>	<u>-</u>
Total general revenues and transfers	<u>46,177,942</u>	<u>2,733,535</u>	<u>48,911,477</u>
Change in net position	2,666,427	6,254,155	8,920,582
<b>Net Position:</b>			
Net position, beginning	<u>70,927,566</u>	<u>148,704,252</u>	<u>219,631,818</u>
End of year - June 30	<u>\$ 73,593,993</u>	<u>\$ 154,958,407</u>	<u>\$ 228,552,400</u>

*The accompanying notes are an integral part of the financial statements.*

CITY OF HICKORY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2019

	<b>Major</b>		<b>Nonmajor</b>	
	<b>General</b>	<b>Capital</b>	<b>Governmental</b>	<b>Total</b>
	<b>Fund</b>	<b>Projects</b>	<b>Funds</b>	
	<b>Fund</b>	<b>Fund</b>		
<b>Assets:</b>				
Current assets:				
Cash and cash equivalents	\$ 33,338,868	\$ 6,339,267	\$ 123,440	\$ 39,801,575
Taxes receivable, net	484,789	-	-	484,789
Accounts receivable, net	419,027	37,330	790,033	1,246,390
Notes receivable	310,000	-	-	310,000
Due from other governmental agencies	2,543,107	44,141	135,087	2,722,335
Due from other funds	2,097,109	-	-	2,097,109
Inventory	109,756	-	-	109,756
Prepaid items	371,425	-	228	371,653
Restricted cash and equivalents	76,648	8,405,866	-	8,482,514
Total current assets	39,750,729	14,826,604	1,048,788	55,626,121
Notes receivable	1,966,000	-	-	1,966,000
Total assets	<u>\$ 41,716,729</u>	<u>\$ 14,826,604</u>	<u>\$ 1,048,788</u>	<u>\$ 57,592,121</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 2,841,113	\$ 1,058,228	\$ 37,004	\$ 3,936,345
Prepaid fees	12,350	-	-	12,350
Due to other funds	-	-	68,694	68,694
Liabilities to be paid from restricted assets:				
Customer deposits	76,648	-	-	76,648
Total current liabilities	2,930,111	1,058,228	105,698	4,094,037
<b>Deferred Inflows of Resources:</b>				
Property taxes receivable	484,789	-	-	484,789
Prepaid taxes	7,724	-	-	7,724
Economic development receivable	-	-	540,325	540,325
Total deferred inflows of resources	492,513	-	540,325	1,032,838
<b>Fund Balances:</b>				
Non-spendable	2,757,181	-	228	2,757,409
Restricted for:				
Stabilization for state statute	6,884,679	81,471	384,795	7,350,945
Restricted, all other	1,541,431	13,686,905	-	15,228,336
Committed	5,584,238	-	116,851	5,701,089
Assigned	1,409,675	-	-	1,409,675
Unassigned	20,116,901	-	(99,109)	20,017,792
Total fund balances	38,294,105	13,768,376	402,765	52,465,246
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ 41,716,729</u>	<u>\$ 14,826,604</u>	<u>\$ 1,048,788</u>	<u>\$ 57,592,121</u>

The accompanying notes are an integral part of the financial statements.



**CITY OF HICKORY, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2019**

Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:

Total fund balances - modified accrual (see above)	\$ 52,465,246
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	61,732,499
Total pension liability - LEOSSA	(3,544,975)
Net pension liability - LGERS	(8,370,869)
Total OPEB liability	(15,786,343)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	2,324,001
OPEB related deferrals	(1,298,586)
Accrual of interest revenue on delinquent taxes does not represent current financial resources and, therefore, is not reported in the funds.	58,978
Low income housing loans are not available to represent current financial resources and, therefore, are not reported in the funds.	556
Accrual of interest payable for debt reported in the Statement of Net Position does not require the use of current financial resources and, therefore, is not reported in the funds.	(228,154)
Other receivables are not available to pay for current period expenditures and are recognized as deferred inflows in the funds.	1,024,283
Pension related deferrals	4,067,151
Internal services funds are used by management to charge the costs of insurance and fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position in the fund statements until collected.	2,318,686
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(21,168,480)</u>
Net position of governmental activities	<u>\$ 73,593,993</u>

*The accompanying notes are an integral part of the financial statements.*

## CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	<b>Major</b>		<b>Nonmajor</b>	
	<b>General</b>	<b>Capital</b>	<b>Governmental</b>	<b>Total</b>
	<b>Fund</b>	<b>Projects</b>	<b>Funds</b>	
		<b>Fund</b>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 28,100,944	\$ -	\$ -	\$ 28,100,944
Other taxes	17,692,047	-	-	17,692,047
Unrestricted intergovernmental revenues	641,027	-	-	641,027
Restricted intergovernmental revenues	2,488,027	797,726	466,811	3,752,564
Licenses and permits	4,832	-	-	4,832
Sales and services	1,438,198	-	-	1,438,198
Investment earnings	963,399	316,281	3,199	1,282,879
Miscellaneous	410,520	-	294,351	704,871
Total revenues	<u>51,738,994</u>	<u>1,114,007</u>	<u>764,361</u>	<u>53,617,362</u>
<b>Expenditures:</b>				
Current:				
General government	6,134,644	-	-	6,134,644
Public safety	24,864,783	-	47,091	24,911,874
Transportation	6,039,048	-	-	6,039,048
Economic and physical development	3,705,197	-	718,008	4,423,205
Culture and recreation	6,547,202	-	-	6,547,202
Capital outlay	-	6,648,150	-	6,648,150
Debt service:				
Principal retirement	671,034	-	-	671,034
Interest fees	76,984	-	-	76,984
Bond issuance cost	286,032	-	-	286,032
Total expenditures	<u>48,324,924</u>	<u>6,648,150</u>	<u>765,099</u>	<u>55,738,173</u>
Revenues over (under) expenditures	<u>3,414,070</u>	<u>(5,534,143)</u>	<u>(738)</u>	<u>(2,120,811)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,882,433	1,822,017	18,138	3,722,588
Transfers out	(5,356,067)	(142,802)	(2,173)	(5,501,042)
Issuance of long-term debt	575,000	15,000,000	-	15,575,000
Premium from issuance of bond	-	1,176,119	-	1,176,119
Total other financing sources (uses)	<u>(2,898,634)</u>	<u>17,855,334</u>	<u>15,965</u>	<u>14,972,665</u>
Net change in fund balances	515,436	12,321,191	15,227	12,851,854
<b>Fund Balances:</b>				
Fund balance, beginning	<u>37,778,669</u>	<u>1,447,185</u>	<u>387,538</u>	<u>39,613,392</u>
End of year - June 30	<u>\$ 38,294,105</u>	<u>\$ 13,768,376</u>	<u>\$ 402,765</u>	<u>\$ 52,465,246</u>

The accompanying notes are an integral part of the financial statements.

## CITY OF HICKORY, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

Net change in fund balances - total governmental funds per Exhibit D	\$ 12,851,854
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capitalized capital outlays	10,621,854
Depreciation expense	(4,589,039)
In the Statement of Activities, only the gain or loss on the reduction of capital assets is reported; whereas, in governmental funds, the proceeds of the sale increase the financial resources. Thus, the changes in net assets differs from the change in fund balance by the cost of the assets less any depreciation.	
Disposal of capital assets	(34,188)
Revenues in the Statement of Activities that do not provide current financial resources in the current year are not reported as revenues in the funds.	(165,514)
Pension expense - LGERS	1,777,485
Pension expense - LEOSSA	546,516
Debt proceeds provide current financial resources to governmental funds, but issuance of debt increases long-term liabilities in the Statement of Net Position.	(16,751,119)
OPEB plan expense	818,278
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	671,034
Accrual of compensated absences reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	(46,970)
Pension expenses reported in the Statement of Activities does not require the use of current financial resources, and, therefore is not reported as an expenditure in the governmental funds.	(3,626,889)
Accrual of interest expense for debt reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	(216,057)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet maintenance, to individual funds. The change in net position of certain internal service funds is reported with governmental activities.	<u>809,182</u>
Change in net position of governmental activities per Exhibit B	<u>\$ 2,666,427</u>

*The accompanying notes are an integral part of the financial statements.*

## CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 27,250,000	\$ 27,250,000	\$ 28,100,944	\$ 850,944
Other taxes	16,382,000	16,382,000	17,692,047	1,310,047
Unrestricted intergovernmental revenues	595,000	595,000	641,027	46,027
Restricted intergovernmental revenues	2,333,590	2,360,567	2,488,027	127,460
Licenses and permits	5,100	5,100	4,832	(268)
Sales and services	1,515,876	1,522,516	1,438,198	(84,318)
Investment earnings	155,000	155,000	822,950	667,950
Miscellaneous	326,000	892,844	971,920	79,076
Total revenues	48,562,566	49,163,027	52,159,945	2,996,918
<b>Expenditures:</b>				
Current:				
General government	6,858,222	7,365,792	6,134,644	1,231,148
Public safety	24,636,426	26,270,774	24,864,783	1,405,991
Transportation	6,328,817	6,743,174	6,039,048	704,126
Economic and physical development	3,549,444	3,693,757	3,705,197	(11,440)
Culture and recreation	6,613,531	7,330,576	6,547,202	783,374
Debt service:				
Principal	1,115,670	1,114,024	671,034	442,990
Interest and fees	70,977	76,984	76,984	-
Bond issuance costs	-	286,032	286,032	-
Contingency	700,000	290,999	-	290,999
Total expenditures	49,873,087	53,172,112	48,324,924	4,847,188
Revenues over (under) expenditures	(1,310,521)	(4,009,085)	3,835,021	7,844,106
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	-	575,000	575,000	-
Transfers in	560,000	704,975	704,975	-
Transfers (out)	(1,041,832)	(2,956,068)	(2,956,067)	1
Total other financing sources (uses)	(481,832)	(1,676,093)	(1,676,092)	1
Revenues and other financing sources over (under) expenditures and other financing uses	(1,792,353)	(5,685,178)	2,158,929	7,844,107
Appropriated fund balance	1,792,353	5,685,178	-	(5,685,178)
Net change in fund balance	\$ -	\$ -	2,158,929	\$ 2,158,929
<b>Reconciliation from Budgetary Basis of Accounting to Modified Accrual Basis:</b>				
Current year note receivable payments			(561,400)	
Net change in fund balance modified accrual			1,597,529	
<b>Fund Balance:</b>				
Fund balance - July 1			31,112,338	
End of year - June 30			\$ 32,709,867	

The accompanying notes are an integral part of the financial statements.

## CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2019

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Assets:</b>						
Current assets:						
Cash and cash equivalents	\$ 35,643,130	\$ 1,467,988	\$ 2,664,280	\$ 1,094,233	\$ 40,869,631	\$ 4,356,902
Accounts receivable, net	3,280,478	115,718	246,617	1,907	3,644,720	12,732
Inventory	467,437	52,926	-	-	520,363	128,656
Due from other governments	254,317	24,914	8,742	187,966	475,939	74,771
Prepaid items	72,680	2,601	579	1,754	77,614	97,694
Restricted cash	665,707	9,983	-	-	675,690	-
Total current assets	40,383,749	1,674,130	2,920,218	1,285,860	46,263,957	4,670,755
Non-current assets:						
Land and construction in progress	13,071,990	11,123,743	-	145,024	24,340,757	-
Other capital assets, net of depreciation	109,926,599	3,887,134	1,650,641	4,939,976	120,404,350	66,186
Total non-current assets	122,998,589	15,010,877	1,650,641	5,085,000	144,745,107	66,186
Total assets	163,382,338	16,685,007	4,570,859	6,370,860	191,009,064	4,736,941
<b>Deferred Outflows of Resources:</b>						
OPEB deferrals	173,926	16,564	59,632	1,655	251,777	19,879
Pension deferrals	1,062,463	115,760	332,082	24,811	1,535,116	128,494
Total deferred outflows of resources	1,236,389	132,324	391,714	26,466	1,786,893	148,373
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable and accrued liabilities	1,659,252	321,805	246,508	147,043	2,374,608	990,985
Current portion of long-term debt	2,785,590	26,537	48,514	294	2,860,935	24,448
Due to other funds	-	19,860	-	-	19,860	1,207,948
Prepaid fees	67,110	-	-	-	67,110	-
Liabilities to be paid from restricted assets:						
Customer deposits	665,707	9,983	-	-	675,690	-
Total current liabilities	5,177,659	378,185	295,022	147,337	5,998,203	2,223,381
Non-current liabilities:						
Net pension liability	1,393,078	150,874	427,534	33,168	2,004,654	160,998
Total OPEB liability	3,355,397	319,561	1,150,422	31,956	4,857,336	383,474
Compensated absences payable	265,972	45,067	43,695	33	354,767	1,294
Due to other funds	-	800,607	-	-	800,607	-
Non-current portion of long-term debt	22,806,975	-	-	-	22,806,975	-
Total non-current liabilities	27,821,422	1,316,109	1,621,651	65,157	30,824,339	545,766
Total liabilities	32,999,081	1,694,294	1,916,673	212,494	36,822,542	2,769,147
<b>Deferred Inflows of Resources:</b>						
OPEB deferrals	449,941	42,852	154,265	4,285	651,343	51,422
Pension deferrals	56,653	7,392	28,304	468	92,817	16,907
Total deferred inflows of resources	506,594	50,244	182,569	4,753	744,160	68,329
<b>Net Position:</b>						
Net investment in capital assets	97,558,473	15,010,877	1,650,641	5,085,000	119,304,991	66,186
Unrestricted	33,554,579	61,916	1,212,690	1,095,079	35,924,264	1,981,652
Total net position	\$ 131,113,052	\$ 15,072,793	\$ 2,863,331	\$ 6,180,079	\$ 155,229,255	\$ 2,047,838
Total net position - proprietary funds presentation					\$ 155,229,255	
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds					(270,848)	
Net position of business-type activities - government-wide					\$ 154,958,407	

The accompanying notes are an integral part of the financial statements.

CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Other Enterprise Funds	Total	Internal Service Funds
<b>Operating Revenues:</b>						
Other taxes	\$ -	\$ -	\$ 22,678	\$ -	\$ 22,678	\$ -
Restricted intergovernmental	-	9,130	-	1,991,259	2,000,389	-
Charges for services	26,560,060	1,177,501	4,969,801	94,039	32,801,401	9,387,975
Other operating revenues	911,595	-	30,935	-	942,530	11,161
Total operating revenues	27,471,655	1,186,631	5,023,414	2,085,298	35,766,998	9,399,136
<b>Operating Expenses:</b>						
Administration and engineering	8,170,130	-	-	103,604	8,273,734	-
Collection system	1,553,094	-	-	-	1,553,094	-
Henry Fork plant	1,041,000	-	-	-	1,041,000	-
Northeast plant	1,001,973	-	-	-	1,001,973	-
Water treatment plant	2,375,199	-	-	-	2,375,199	-
Pre-treatment and lab	522,374	-	-	-	522,374	-
Distribution	2,442,589	-	-	-	2,442,589	-
Sludge plant	-	-	-	1,693,463	1,693,463	-
Street	-	-	-	91,187	91,187	-
Drainage maintenance	-	-	-	85,207	85,207	-
Claremont sewer lines	251,025	-	-	-	251,025	-
Hickory-Catawba wastewater treatment plant	354,632	-	-	-	354,632	-
Airport	-	584,947	-	-	584,947	-
Airport tower	-	14,974	-	-	14,974	-
Airport FBO	-	673,588	-	-	673,588	-
Recycling	-	-	2,756,016	-	2,756,016	-
Residential sanitation	-	-	904,049	-	904,049	-
Commercial sanitation	-	-	869,756	-	869,756	-
Health insurance	-	-	-	-	-	4,406,940
Property/casualty insurance	-	-	-	-	-	654,918
Workers' compensation	-	-	-	-	-	357,504
Dental insurance	-	-	-	-	-	429,825
Other insurance	-	-	-	-	-	84,617
Fleet maintenance	-	-	-	-	-	2,956,423
Depreciation	5,034,230	346,863	443,879	601,610	6,426,582	19,968
Total operating expenses	22,746,246	1,620,372	4,973,700	2,575,071	31,915,389	8,910,195
Operating income (loss)	4,725,409	(433,741)	49,714	(489,773)	3,851,609	488,941

The accompanying notes are an integral part of the financial statements.

CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Other Enterprise Funds	Total	Internal Service Funds
<b>Non-Operating</b>						
<b>Revenues (Expenses):</b>						
Investment earnings	1,033,369	33,804	67,903	20,005	1,155,081	120,514
Miscellaneous	-	-	1,409	-	1,409	-
Gain (loss) on disposal of capital assets	12,951	-	97,031	-	109,982	-
Interest on long-term debt	(713,552)	-	-	-	(713,552)	-
Total non-operating revenues (expenses)	<u>332,768</u>	<u>33,804</u>	<u>166,343</u>	<u>20,005</u>	<u>552,920</u>	<u>120,514</u>
Income (loss) before capital contributions and transfers	5,058,177	(399,937)	216,057	(469,768)	4,404,529	609,455
<b>Capital Contributions:</b>						
Capital contributions	152,493	156,027	-	-	308,520	-
<b>Transfers:</b>						
Transfers from other funds	2,200,000	50,173	-	262,908	2,513,081	200,000
Transfers (to) other funds	<u>(858,454)</u>	<u>(50,173)</u>	<u>(26,000)</u>	<u>-</u>	<u>(934,627)</u>	<u>-</u>
Change in net position	6,552,216	(243,910)	190,057	(206,860)	<u>\$ 6,291,503</u>	809,455
<b>Net Position:</b>						
Net position, beginning	<u>124,560,836</u>	<u>15,316,703</u>	<u>2,673,274</u>	<u>6,386,939</u>		<u>1,238,383</u>
End of year - June 30	<u>\$ 131,113,052</u>	<u>\$ 15,072,793</u>	<u>\$ 2,863,331</u>	<u>\$ 6,180,079</u>		<u>\$ 2,047,838</u>
<b>Reconciliation with Exhibit B - Change in   Net Position - Business-Type Activities:</b>						
Change in net position - fund perspective					\$ 6,291,503	
Internal Service Fund profits allocated to business-type activities					<u>(37,348)</u>	
Change in net position - entity-wide perspective - Exhibit B					<u>\$ 6,254,155</u>	

The accompanying notes are an integral part of the financial statements.

**CITY OF HICKORY, NORTH CAROLINA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Business-Type Activities</b>					<b>Governmental Activities</b>
	<b>Water and Sewer Fund</b>	<b>Transportation Fund</b>	<b>Solid Waste Fund</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Cash Flows from Operating Activities:</b>						
Cash received from customers and users	\$ 27,493,200	\$ 1,173,360	\$ 4,992,886	\$ 1,965,577	\$ 35,625,023	\$ 9,395,303
Cash paid to suppliers	(11,588,882)	(462,320)	(2,944,414)	(1,754,646)	(16,750,262)	(8,523,130)
Cash paid to employees	(5,468,361)	(567,640)	(1,508,197)	(85,392)	(7,629,590)	(579,905)
Net cash provided (used) by operating activities	<u>10,435,957</u>	<u>143,400</u>	<u>540,275</u>	<u>125,539</u>	<u>11,245,171</u>	<u>292,268</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Changes in due to/from other funds	-	(32,370)	-	-	(32,370)	186,256
Transfers from other funds	2,200,000	50,173	-	262,908	2,513,081	200,000
Transfers (to) other funds	(858,454)	(50,173)	(26,000)	-	(934,627)	-
Net cash provided (used) by non-capital financing activities	<u>1,341,546</u>	<u>(32,370)</u>	<u>(26,000)</u>	<u>262,908</u>	<u>1,546,084</u>	<u>386,256</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Acquisition and construction of capital assets	(5,079,051)	(293,287)	(913,507)	(155,723)	(6,441,568)	(59,666)
Proceeds from sale of assets	12,951	-	97,031	-	109,982	-
Principal paid on long-term debt	(2,718,538)	-	-	-	(2,718,538)	-
Interest paid on long-term debt	(712,623)	-	-	-	(712,623)	-
Donations/contributions	-	-	1,409	-	1,409	-
Capital contributions	16,493	156,027	-	-	172,520	-
Net cash provided (used) by capital and related financing activities	<u>(8,480,768)</u>	<u>(137,260)</u>	<u>(815,067)</u>	<u>(155,723)</u>	<u>(9,588,818)</u>	<u>(59,666)</u>
<b>Cash Flows from Investing Activities:</b>						
Interest on investments	1,033,369	33,804	67,903	20,005	1,155,081	120,514
Net cash provided (used) by investing activities	<u>1,033,369</u>	<u>33,804</u>	<u>67,903</u>	<u>20,005</u>	<u>1,155,081</u>	<u>120,514</u>
Net increase (decrease) in cash and cash equivalents	4,330,104	7,574	(232,889)	252,729	4,357,518	739,372
<b>Cash and Cash Equivalents:</b>						
Beginning of year - July 1	<u>31,978,733</u>	<u>1,470,397</u>	<u>2,897,169</u>	<u>841,504</u>	<u>37,187,803</u>	<u>3,617,530</u>
End of year - June 30	<u>\$ 36,308,837</u>	<u>\$ 1,477,971</u>	<u>\$ 2,664,280</u>	<u>\$ 1,094,233</u>	<u>\$ 41,545,321</u>	<u>\$ 4,356,902</u>

The accompanying notes are an integral part of the financial statements.



CITY OF HICKORY, NORTH CAROLINA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities					Governmental Activities
	Water and Sewer Fund	Transportation Fund	Solid Waste Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Operating income (loss)	\$ 4,725,409	\$ (433,741)	\$ 49,714	\$ (489,773)	\$ 3,851,609	\$ 488,941
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	5,034,230	346,863	443,879	601,610	6,426,582	19,968
Change in net pension liability	470,710	51,149	145,934	11,088	678,881	55,798
Change in assets and liabilities:						
(Increase) decrease in accounts receivables	(615)	(14,300)	(26,099)	(119,448)	(160,462)	(16,748)
(Increase) decrease in prepaid items	(7,528)	(495)	(492)	(717)	(9,232)	88,382
(Increase) decrease in inventories	3,411	-	-	-	3,411	29,937
Change in deferred outflows for pensions	(386,848)	(42,036)	(119,935)	(9,113)	(557,932)	(45,857)
Change in deferred inflows for pensions	60,499	5,762	(6,725)	578	60,114	(2,571)
Change in deferred outflows for OPEB	(21,692)	(2,357)	20,742	(511)	(3,818)	6,912
Change in deferred inflows for OPEB	288,781	27,503	99,010	2,750	418,044	33,004
Increase (decrease) in accounts payable	558,799	232,617	35,320	131,942	958,678	(322,390)
Increase (decrease) in compensated absences	24,038	3,349	13,920	327	41,634	(4,823)
Change in total OPEB liability	(335,397)	(31,943)	(114,993)	(3,194)	(485,527)	(38,331)
Increase (decrease) in customer deposits	18,814	1,029	-	-	19,843	-
Increase (decrease) in prepaid fees	3,346	-	-	-	3,346	46
Net cash provided (used) by operating activities	<u>\$ 10,435,957</u>	<u>\$ 143,400</u>	<u>\$ 540,275</u>	<u>\$ 125,539</u>	<u>\$ 11,245,171</u>	<u>\$ 292,268</u>
<b>Non-Cash Transactions:</b>						
Contribution of assets from developers	<u>\$ 136,000</u>					

The accompanying notes are an integral part of the financial statements.



# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Note 1 – Summary of Significant Accounting Policies

The accounting policies of the City of Hickory (the "City") conform to generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of the more significant accounting policies:

#### A. Reporting Entity

The City is governed by an elected Mayor and a six-member City Council and is a municipal corporation established under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements include all funds, agencies, boards, commissions, and authorities for which the City is financially responsible. There are no component units within the City of Hickory, North Carolina.

#### B. Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government. Eliminations have been made to minimize the double counting of internal activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Business-type activities are financed in whole by fees charged to external parties.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The government reports the following major governmental funds:

**General Fund** - The General Fund is the general operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, sales taxes, federal and state grants, and user fees. The primary expenditures are for public safety, streets and highways, parks and recreation, libraries, and general governmental services. Debt service payments of general long-term debt are accounted for in the General Fund. Additionally, the City

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

has legally adopted a Capital Reserve Fund under North Carolina General Statutes. However, for statement presentation in accordance with GASB Statement No. 54, the Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information.

**General Capital Projects Fund** - The General Capital Projects Fund is used to account for and report financial resources used for the acquisition or construction of major capital facilities and capital assets. The primary revenue and expenditure sources are related to the City's General Fund activities. The General Capital Projects Fund allows the City to manage General Fund capital related projects over a multi-year period.

The government reports the following major proprietary funds:

**Water and Sewer Enterprise Fund** – The Water and Sewer Enterprise Fund accounts for financial resources to be used in operating the water distribution system, the sewage treatment plant, sewage pumping stations, and collection systems.

**Transportation Enterprise Fund** – The Transportation Enterprise Fund accounts for financial resources to be used for providing public transportation activities within and around the City limits.

**Solid Waste Enterprise Fund** – The Solid Waste Enterprise Fund accounts for financial resources to be used for providing residential sanitation, commercial bulk sanitation, and recycling activities of the City.

Additionally, the government reports the following fund type:

**Internal Service Funds** – Internal service funds account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The City of Hickory has two internal service funds: Insurance Fund and Fleet Maintenance Fund.

**Nonmajor Funds** - The City maintains the Community Development Entitlement Block Grant Fund, Home Consortium Grant Fund, NCHFA Rental Rehabilitation Grant Fund, and the Multi-Year Grants Project Fund. These funds are reported as nonmajor governmental funds. The Capital Reserve Fund is consolidated into the General Fund for GASB Statement 54 reporting. The City also maintains the Sludge Composting Fund and the Stormwater Fund, which are reported as nonmajor enterprise funds.

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# **CITY OF HICKORY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual on the government-wide financial statements and have been recognized as revenues of the current fiscal period.

Governmental fund financial statements are reported using the current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets. Basis of accounting determines when revenues and expenditures or expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements, as well as, relates to the timing of the measurements made, regardless of the measurement focus applied. The governmental fund types use the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are “measurable” and “available”) to pay liabilities of the current period. Expenditures are recognized in the accounting period in which a fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt which are recognized when due, and certain compensated absences and claims and judgments, which are recognized when they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

The City generally considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem property taxes receivable are not accrued as revenues in the governmental fund statements because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, on September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes collected and held by the state at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Hickory because the tax is levied by Catawba County and then remitted to and distributed by the state. Intergovernmental revenues, and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City’s policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds and internal service funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first and then unrestricted resources as they are needed.

### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position, or Fund Equity**

#### *1. Deposits and Investments*

All deposits of the City with banks and savings associations are made in Board-designated official depositories and are secured as required by North Carolina G.S. 159-31. The City may designate as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. G.S. 159-30 authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The City's investments with a maturity of more than one year at time of issuance are reported at fair value as determined by quoted market prices. These investments consist of certain U.S. Government Agency obligations with a market value of \$55,357,338 on June 30, 2019. The NC Capital Management Trust Government Portfolio, an SEC-registered 2a-7 government money market fund, is measured at fair value. The NCCMT Term Portfolio's securities are valued at fair value.

A central cash depository is maintained by the City to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

## CITY OF HICKORY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

#### 2. *Restricted Assets*

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

Unspent bond proceeds in the General Capital Projects Fund are classified as restricted assets because their use is restricted to the purpose for which the bonds were originally issued.

Restricted cash balance of the City on June 30, 2019 are as follows:

#### **Governmental Activities:**

##### General Fund:

Customer deposits	\$ 76,648
-------------------	-----------

##### General Capital Projects Fund:

Unexpended debt proceeds	8,405,866
--------------------------	-----------

Total governmental activities	<u>\$ 8,482,514</u>
-------------------------------	---------------------

#### **Business-Type Activities:**

##### Water and Sewer Fund:

Customer deposits	\$ 665,707
-------------------	------------

##### Transportation Fund:

Customer deposits	9,983
-------------------	-------

Total business-type activities	<u>\$ 675,690</u>
--------------------------------	-------------------

#### 3. *Accounts Receivable and Payable*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

#### 4. *Ad Valorem Taxes Receivable*

In accordance with North Carolina G.S. 105.347 and G.S. 159-13(a), the City levies ad valorem taxes on all real and personal property sited within the corporate limits.

Other than taxes on motor vehicles, taxes are levied on July 1 of the fiscal year and are due and payable without penalty until January 6, when property taxes become enforceable as liens. These taxes are based on the assessed values as of January 1, 2018.

# **CITY OF HICKORY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

### *5. Allowances for Doubtful Accounts*

All receivables are shown net of an allowance for doubtful accounts. Estimation of the amount appropriate to each class of receivable is based on analysis of historical data and current conditions.

### *6. Inventories and Prepaid Items*

The inventories of the City are valued at a weighted average cost. The inventories consist primarily of materials and supplies held for consumption. Inventories are accounted for under the consumption method of accounting.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

### *7. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$5,000, or infrastructure with an initial individual cost of more than \$100,000, and an estimated useful life in excess of one year. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement after June 30, 2015 are recorded at acquisition value. All other purchased or constructed assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003 consist of the road network, sidewalks, bridges, curb, and guttering that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.



# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Property, plant, and equipment of the government are depreciated using the straight-line method over the following estimated useful lives:

<b>Asset</b>	<b>Estimated Useful Lives</b>
Buildings and improvements	10-30
Equipment	5-10
Medium and heavy motor vehicles	6
Automobiles and light trucks	3
Streets and roads	30
Computer software	5
Sidewalks	15
Curb and gutter	20
Bridges	30-50
Operating plants	25-50
Water and sewer lines	25-80

### 8. *Deferred Outflows/Inflows of Resources*

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criteria, pension and OPEB related deferrals. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criteria for this category – economic development receivable, prepaid taxes, property taxes receivable, and pension and OPEB related deferrals.

### 9. *Long-Term Obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Issuance of debt related to general obligation bonds are reported as other financing sources.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### 10. *Compensated Absences*

The vacation policy of the City provides for the accumulation of up to sixty (60) days earned vacation leave, with such leave being fully vested when earned. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

### 11. *Net Position/Fund Balances*

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through state statute.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

	<u>General Fund</u>	<u>Other Governmental Funds</u>
<i>Notes Receivable</i> – portion of fund balance that is not an available resource because it represents the year-end balance of notes receivable, which are not spendable resources.	\$ 2,276,000	\$ -
<i>Inventories</i> – portion of fund balance that is <u>not</u> an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.	109,756	-
<i>Prepays</i> – portion of fund balance that is not an available resource because it represents prepaid amounts, which are not spendable resources.	<u>371,425</u>	<u>228</u>
Total	<u>\$ 2,757,181</u>	<u>\$ 228</u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

*Restricted for Stabilization by State Statute* – portion of fund balance that is restricted by state statute [G.S. 159-8(a)].

*Restricted for Public Safety* – portion of fund balance restricted by revenue source for public safety related activities, such as police and fire.

*Restricted for Economic Development* – portion of fund balance restricted by revenue source for economic development. The Capital Projects Fund had \$8,405,866 in unspent bond proceeds at June 30, 2019.

Restricted fund balance at June 30, 2019 is as follows:

Purpose	General		Total
	General Fund	Capital Projects Fund	
<b>Restricted, all other:</b>			
Economic development	\$ 900,000	\$ 13,686,905	\$ 14,586,905
Public safety	641,431	-	641,431
<b>Total</b>	<u>\$ 1,541,431</u>	<u>\$ 13,686,905</u>	<u>\$ 15,228,336</u>

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent bond proceeds of \$8,405,866 at June 30, 2019.

Committed Fund Balance – portion of fund balance that can only be used for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

*Committed for Economic Development* – portion of fund balance that can only be used for economic development.

*Committed for Capital Projects* – represents the portion of fund balance committed by the governing body for future capital related activities and projects.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Committed fund balance at June 30, 2019 is as follows:

<b>Purpose</b>	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Economic development	\$ -	\$ 116,851	\$ 116,851
Capital projects	5,584,238	-	5,584,238
Total	<u>\$ 5,584,238</u>	<u>\$ 116,851</u>	<u>\$ 5,701,089</u>

Assigned Fund Balance – portion of fund balance that the City intends to use for specific purposes. The City’s governing body has the authority to assign fund balance. The City Manager and Finance Officer, as granted in the officially adopted budget ordinance, have been granted limited authority to assign fund balance.

*Subsequent Year’s Expenditures* – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Manager to modify the appropriations by function or appropriation within funds up to \$1,000.

*Assigned for Fuel* – portion of fund balance budgeted by the board for higher than anticipated fuel cost.

Assigned fund balance at June 30, 2019 is as follows:

<b>Purpose</b>	<b>General Fund</b>	<b>Total</b>
Subsequent year's expenditures	\$ 740,000	\$ 740,000
Fuel	669,675	669,675
Total	<u>\$ 1,409,675</u>	<u>\$ 1,409,675</u>

Unassigned Fund Balance – represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes within the General Fund. Only the General Fund may report a positive unassigned fund balance.

The City of Hickory has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: federal funds, state funds, local non-City funds, and City funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

The City has also adopted a minimum fund balance policy for the General Fund, which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal to or greater than 25% of budgeted expenditures.

## CITY OF HICKORY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

<b>Total Fund Balance - General Fund</b>	<b>\$ 38,294,105</b>
Less:	
Prepays	(371,425)
Inventory	(109,756)
Notes receivable	(2,276,000)
Stabilization by state statute	(6,884,679)
Public safety	(641,431)
Economic development	(900,000)
Capital projects	(5,584,238)
Appropriated fund balance in 2018 budget	(740,000)
Fuel	(669,675)
Fund balance policy - 25% of budgeted expenditures	<u>(13,293,028)</u>
Remaining fund balance	<u><u>\$ 6,823,873</u></u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

General Fund encumbrances	<u><u>\$ 1,825,436</u></u>
---------------------------	----------------------------

#### *12. Other Resources*

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as "Transfers - out" in the General Fund and "Transfers - in" in the receiving fund.

#### *13. Administrative Reimbursement*

Administrative reimbursements are used to reimburse a fund for services it provides to another fund. They are also associated with specific services and are either charged or credited to individual departments of City government depending upon which department is receiving or providing the service. Hickory has hired MGT of America, Inc. to develop a "Cost Allocation Plan". This plan identifies indirect costs associated with one department providing services to another department. The City's "Cost Allocation Plan" is utilized in determining the reimbursements to be made between funds. This plan is updated regularly to keep it current.

#### *14. Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### 15. Defined Benefit Cost-sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LERS) and additions to/deductions from LERS' fiduciary net position have been determined on the same basis as they are reported by LERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Hickory's employer contributions are recognized when due and the City of Hickory has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LERS. Investments are reported at fair value.

### Note 2 – Reconciliation of Government-Wide and Fund Financial Statements

#### Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Exhibit D). Fund balance for the General Fund is reconciled as follows:

<b>Fund Balance, Ending Exhibit F</b>	<b>\$ 32,709,867</b>
Capital Reserve Fund:	
Investment earnings	140,449
Transfers in/out	(1,222,542)
Fund balance, beginning, previously reported	<u>6,666,331</u>
<b>Fund Balance, Ending Exhibit D</b>	<b><u>\$ 38,294,105</u></b>

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds”.

The details of this difference are as follows:

Installment purchase payable	\$ 2,585,887
General obligation bonds	15,000,000
Unamortized premium	1,176,119
Compensated absences	2,432,216
Less: effect of Internal Service Fund	<u>(25,742)</u>
Net adjustment to increase fund balance - total governmental	
funds to arrive at net position - governmental activities	<b><u>\$ 21,168,480</u></b>

# **CITY OF HICKORY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

### **Note 3 – Stewardship, Compliance, and Accountability**

#### **A. Budgetary Data**

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget ordinance is adopted for the General Fund and enterprise funds. All unencumbered annual appropriations lapse at fiscal year-end. However, encumbered appropriations are reappropriated in the ensuing year's budget. Project ordinances are adopted for the capital projects and all other special revenue funds. All budgets are prepared using the modified accrual basis of accounting, which is consistent with the accounting system used to record transactions.

Expenditures may not legally exceed appropriations at the functional level for the General Fund, special revenue funds, and enterprise funds and at the object level for the capital project funds. A function is a group of related activities aimed at accomplishing a major service, such as public safety. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary. The City Manager may transfer up to \$1,000 between functional areas including contingency appropriations within the same fund. Such transfers must be reported at the next regular meeting of the City Council.

The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Also, as required by state law, the City's Insurance Fund and Fleet Maintenance Fund, intragovernmental service funds operate under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved. The financial plan also was entered into the minutes of the governing board. During the year, several changes to the original financial plan were necessary.

#### **B. Encumbrances**

As required by North Carolina G.S. 159-26(d), the City maintains encumbrance accounts, which are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities.

### **Note 4 – Deposits and Investments**

#### **A. Deposits**

The City pools cash resources into a centralized cash account (Central Depository) to facilitate the management of cash. The Central Depository is used by all funds. Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments maturing within three months from the date of acquisition. Each fund owns a prorata share of the cash and cash equivalents, and the amount applicable to a particular fund is readily identifiable. Allocation of investment income is made to each fund based on its prorata share. On the Statement of Cash Flows for enterprise funds, cash and investments are essentially demand deposits and are considered cash and cash equivalents, due to the fact that the City pools monies from several funds.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

All of the City's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the City's agent in the City's name. Under the Pooling Method, a collateral pool was created, and all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in the City's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the carrying amount of the City's deposits with banks was \$10,822,294. Balances with banks equaled \$10,972,854. Of the bank balances, \$500,000 was covered by federal depository insurance, and \$10,472,854 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The total amount of cash on-hand and petty cash was \$16,395.

### B. Investments

At June 30, 2019, the City's investments consisted of the following:

Investment Type	Valuation		Less Than			
	Measurement Method	Book Value	6 Months	6-12 Months	1-3 Years	4-5 Years
US Government Agencies	Fair Value-Level 1	\$ 55,357,338	\$ 11,953,894	\$ 7,322,336	\$ 25,180,043	\$ 10,901,065
NC Capital Management Trust:						
Government Portfolio	Fair Value-Level 1	15,345,578	15,345,578	-	-	-
Term Portfolio*	Fair Value-Level 1	12,644,707	12,644,707	-	-	-
Total investments		<u>\$ 83,347,623</u>	<u>\$ 39,944,179</u>	<u>\$ 7,322,336</u>	<u>\$ 25,180,043</u>	<u>\$ 10,901,065</u>

\*Because the NC Capital Management Trust Term Portfolio has a weighted average maturity of less than 90 days, it was presented as an investment with a maturity of less than 6 months.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.



# **CITY OF HICKORY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

*Interest Rate Risk.* The City of Hickory does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* The City has no policy regarding credit risk. The City's investment in the NC Capital Management Trust Government Portfolio carried a rating of AAAm by Standard & Poor's as of June 30, 2019. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The U.S. Government Agencies are a mixture of Fannie Mae and investments in the Federal Home Loan Bank, as well as investments in the Federal Home Loan Mortgage Corporation. All of the City of Hickory's investments in the United States Government are rated AA+ by Standard and Poor's.

*Custodial Credit Risk.* For an investment, the custodial risk is the risk that in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

*Concentration of Credit Risk.* The City places no limit on the amount that the City may invest in any one issuer. More than 60% of the City's investments are in Federal Home Loan Bank securities, Federal National Mortgage Association securities, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Bank securities. These investments are 18%, 17%, 18%, and 7%, respectively, of the City's total investments.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Note 5 – Receivables

#### A. Detail

Receivables at the government-wide level at June 30, 2019 were as follows:

	<u>Taxes</u>	<u>Accounts</u>	<u>Notes</u>	<u>Due From Other Governments</u>	<u>Total</u>
<b>Governmental Activities:</b>					
General	\$ 1,165,082	\$ 579,436	\$ 2,276,000	\$ 2,617,878	\$ 6,638,396
General capital projects	-	37,330	-	44,141	81,471
Other governmental	-	790,033	-	135,087	925,120
Total receivables	1,165,082	1,406,799	2,276,000	2,797,106	7,644,987
Allowance for doubtful accounts	(680,293)	(88,143)	-	-	(768,436)
Total governmental activities	<u>\$ 484,789</u>	<u>\$ 1,318,656</u>	<u>\$ 2,276,000</u>	<u>\$ 2,797,106</u>	<u>\$ 6,876,551</u>
<b>Business-Type Activities:</b>					
Water and sewer	\$ -	\$ 3,389,016	\$ -	\$ 254,317	\$ 3,643,333
Transportation	-	115,718	-	24,914	140,632
Solid waste	-	277,772	-	8,742	286,514
Other	-	1,907	-	187,966	189,873
Total receivables	-	3,784,413	-	475,939	4,260,352
Allowance for doubtful accounts	-	(139,693)	-	-	(139,693)
Total business-type activities	<u>\$ -</u>	<u>\$ 3,644,720</u>	<u>\$ -</u>	<u>\$ 475,939</u>	<u>\$ 4,120,659</u>

The total due from other governmental agencies consists of the following:

Governmental activities	\$ 2,797,106
Business-type activities	475,939
Total due from other governmental agencies	<u>\$ 3,273,045</u>
Local option sales tax	\$ 1,921,615
Street maintenance reimbursements	40,849
Traffic control	193,861
Town of Maiden	63,540
Federal grants	10,604
Sales tax reimbursement	705,708
HUD grant	98,703
Other	238,165
Total due from other governmental agencies	<u>\$ 3,273,045</u>

## CITY OF HICKORY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

#### B. Hickory Metro Convention Center Purchase – Leaseback

In December 1998, the City entered into a transaction with the Hickory-Conover Tourism Development Authority (TDA) to acquire the Hickory Metro Convention Center (Center). To fund this acquisition, the City entered into a financing arrangement to borrow \$5,600,000. This installment agreement required the City to pay semi-annual installments of \$140,000, plus interest at 4.9% through December 2018. In April 2012, the City renegotiated the debt with the lender, and reduced the interest rate to 1.79%. Semi-annual principal payments are \$141,400, and the term of the debt remained the same. In connection with the purchase, the City also entered into a leasing arrangement to lease the Center back to the TDA. Terms of the lease are for the City to receive monthly amounts equal to one-sixth of the next due installment on the City's financing arrangement mentioned above. The terms of the lease agreement are such that the transaction qualifies as a direct financing lease for accounting purposes and; accordingly, a receivable has been recorded at the present value of the future minimum lease payments to be received.

In May 2005, the City entered into another transaction with the Hickory-Conover Tourism Development Authority (TDA) to increase the size of the Hickory Metro Convention Center (Center). To fund the expansion, the City entered into a financing agreement to borrow \$3,300,000. This installment agreement requires the City to pay semi-annual installments of \$110,000, plus interest at 3.91% through December, 2019. In April 2012, the City renegotiated the debt with the lender, and reduced the interest rate to 2.09%.

In October 2014, the City entered into another transaction with the Hickory-Conover Tourism Development Authority and Catawba County to build a parking deck to increase parking at the Hickory Metro Convention Center (Center). To fund the parking deck, the City entered into a financing agreement to borrow \$3,000,000. This installment agreement requires the City to pay semi-annual installments of \$100,000, plus interest at 2.94% through October 2029.

The future minimum lease payment to be received and the net present value of these minimum lease receipts as of June 30, 2019 were as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2020	\$ 367,256
2021	250,227
2022	244,347
2023	238,467
2024	232,587
2025-2029	<u>1,033,121</u>
Total minimum lease receipts	2,366,004
Less amount representing interest	<u>(156,004)</u>
Present value of net minimum lease receipts	<u><u>\$ 2,210,000</u></u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### C. Catawba Valley Youth Soccer Association-- Note Receivable

In July 2013, the City entered into an agreement with the Catawba Valley Youth Soccer Association (CVYSA) for development of soccer fields at Henry Fork River Regional Recreation Park, including the installation of lights on Field #1. The CVYSA agreed to contribute \$125,000 towards the lighting of the additional soccer fields. The CVYSA made contributions of \$0 in the current year leaving an outstanding balance of \$66,000 on the note as of June 30, 2019. The CVYSA will pay the remaining \$66,000 balance in annual installments ending June 30, 2024.

### D. Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 2,235,832
Benefit payments and administrative expenses for LEOSA and OPEB	1,124,954
Differences between expected and actual experience	2,003,682
Changes of assumptions	2,929,336
Net difference between projected and actual changes in proportion and differences between employer contributions and proportionate share of contributions	1,446,350
Total	<u>\$ 9,740,154</u>

Deferred inflows of resources at year-end are comprised of the following:

Prepaid taxes (General Fund)	\$ 7,724
Taxes receivable, less penalties (General Fund)	484,789
Economic development receivable (Community Development Entitlement Block Grant Fund)	540,325
Changes of assumptions	2,723,302
Differences between expected and actual experience	304,460
Changes in proportion and differences between employer contributions and proportionate share of contributions	497,049
Total	<u>\$ 4,557,649</u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
<b>Governmental Activities:</b>					
<i>Non-Depreciable Capital Assets:</i>					
Land	\$ 12,617,156	\$ -	\$ -	\$ -	\$ 12,617,156
Construction in progress	9,566,271	6,430,547	-	(1,266,464)	14,730,354
Total assets non-depreciable	<u>22,183,427</u>	<u>6,430,547</u>	<u>-</u>	<u>(1,266,464)</u>	<u>27,347,510</u>
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	45,765,547	549,119	-	99,183	46,413,849
Equipment	13,572,198	1,153,449	(775,638)	-	13,950,009
Vehicles	15,794,520	2,407,248	(751,219)	(194,979)	17,255,570
Road network	57,063,105	103,536	-	1,167,281	58,333,922
Total depreciable assets	<u>132,195,370</u>	<u>4,213,352</u>	<u>(1,526,857)</u>	<u>1,071,485</u>	<u>135,953,350</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	29,435,448	1,270,937	-	-	30,706,385
Equipment	10,002,168	993,528	(753,047)	-	10,242,649
Vehicles	12,574,672	1,321,681	(739,622)	(194,979)	12,961,752
Road network	46,568,529	1,022,860	-	-	47,591,389
Total accumulated depreciation	<u>98,580,817</u>	<u>4,609,006</u>	<u>(1,492,669)</u>	<u>(194,979)</u>	<u>101,502,175</u>
Total depreciable assets, net	<u>33,614,553</u>	<u>(395,654)</u>	<u>(34,188)</u>	<u>1,266,464</u>	<u>34,451,175</u>
Governmental activities capital assets, net	<u>\$ 55,797,980</u>	<u>\$ 6,034,893</u>	<u>\$ (34,188)</u>	<u>\$ -</u>	<u>\$ 61,798,885</u>
<b>Business-Type Activities:</b>					
<b>Water and Sewer:</b>					
<i>Non-Depreciable Capital Assets:</i>					
Land	\$ 1,384,534	\$ -	\$ -	\$ -	\$ 1,384,534
Construction in progress	10,773,093	914,363	-	-	11,687,456
Total non-depreciable assets	<u>12,157,627</u>	<u>914,363</u>	<u>-</u>	<u>-</u>	<u>13,071,990</u>
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	48,345,802	46,063	(1,151,688)	-	47,240,177
Equipment	7,544,676	1,071,183	(25,636)	-	8,590,223
Vehicles	2,894,120	300,680	(41,682)	(26,731)	3,126,387
Operating plants	37,813,328	-	-	-	37,813,328
Water lines	36,456,876	2,328,880	-	-	38,785,756
Sewer lines	59,694,648	553,882	-	-	60,248,530
Total depreciable assets	<u>192,749,450</u>	<u>4,300,688</u>	<u>(1,219,006)</u>	<u>(26,731)</u>	<u>195,804,401</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	22,025,145	1,389,759	(863,766)	-	22,551,138
Equipment	2,767,592	821,506	(24,615)	-	3,564,483
Vehicles	2,145,639	299,470	(41,682)	(26,731)	2,376,696
Operating plants	17,577,962	572,756	-	-	18,150,718
Water lines	13,672,433	754,419	-	-	14,426,852
Sewer lines	23,611,595	1,196,320	-	-	24,807,915
Total accumulated depreciation	<u>81,800,366</u>	<u>5,034,230</u>	<u>(930,063)</u>	<u>(26,731)</u>	<u>85,877,802</u>
Total depreciable assets, net	<u>110,949,084</u>	<u>(733,542)</u>	<u>(288,943)</u>	<u>-</u>	<u>109,926,599</u>
Water and Sewer capital assets, net	<u>123,106,711</u>	<u>180,821</u>	<u>(288,943)</u>	<u>-</u>	<u>122,998,589</u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Business-Type Activities (continued):</b>					
<b>Sludge Composting:</b>					
<i>Non-Depreciable Capital Assets:</i>					
Land	145,024	-	-	-	145,024
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	10,395,564	155,723	-	-	10,551,287
Equipment	93,873	-	-	-	93,873
Total depreciable assets	10,489,437	155,723	-	-	10,645,160
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	8,293,985	339,687	-	-	8,633,672
Equipment	93,873	-	-	-	93,873
Total accumulated depreciation	8,387,858	339,687	-	-	8,727,545
Total depreciable assets, net	2,101,579	(183,964)	-	-	1,917,615
Sludge composting capital assets, net	2,246,603	(183,964)	-	-	2,062,639
<b>Stormwater:</b>					
<i>Depreciable Capital Assets:</i>					
Curb and gutter	17,268,263	-	-	-	17,268,263
Improvements	1,761,641	-	-	-	1,761,641
Total depreciable assets	19,029,904	-	-	-	19,029,904
<i>Less Accumulated Depreciation:</i>					
Curb and gutter	15,693,309	190,382	-	-	15,883,691
Improvements	52,311	71,541	-	-	123,852
Total accumulated depreciation	15,745,620	261,923	-	-	16,007,543
Stormwater capital assets, net	3,284,284	(261,923)	-	-	3,022,361
<b>Transportation:</b>					
<i>Non-Depreciable Capital Assets:</i>					
Land	3,799,842	-	-	-	3,799,842
Land improvements	7,068,587	-	-	-	7,068,587
Construction in progress	8,746	246,568	-	-	255,314
Total non-depreciable assets	10,877,175	246,568	-	-	11,123,743
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	9,237,114	-	-	-	9,237,114
Equipment	2,139,301	46,719	-	-	2,186,020
Vehicles	542,253	-	-	221,710	763,963
Total depreciable assets	11,918,668	46,719	-	221,710	12,187,097
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	5,422,529	268,811	-	-	5,691,340
Equipment	2,069,551	22,971	-	-	2,092,522
Vehicles	239,310	55,081	-	221,710	516,101
Total accumulated depreciation	7,731,390	346,863	-	221,710	8,299,963
Total depreciable assets, net	4,187,278	(300,144)	-	-	3,887,134
Transportation capital assets, net	15,064,453	(53,576)	-	-	15,010,877

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Business-Type Activities (continued):</b>					
<b>Solid Waste:</b>					
<i>Depreciable Capital Assets:</i>					
Buildings and improvements	259,410	-	-	-	259,410
Equipment	939,754	63,252	(19,000)	-	984,006
Vehicles	5,612,362	850,255	(494,994)	-	5,967,623
Total depreciable assets	<u>6,811,526</u>	<u>913,507</u>	<u>(513,994)</u>	<u>-</u>	<u>7,211,039</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and improvements	210,773	2,373	-	-	213,146
Equipment	875,401	29,270	(19,000)	-	885,671
Vehicles	4,544,339	412,236	(494,994)	-	4,461,581
Total accumulated depreciation	<u>5,630,513</u>	<u>443,879</u>	<u>(513,994)</u>	<u>-</u>	<u>5,560,398</u>
Solid waste capital assets, net	<u>1,181,013</u>	<u>\$ 469,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,650,641</u>
Business-type activities capital assets, net	<u>\$ 144,883,064</u>				<u>\$ 144,745,107</u>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>	
General government	\$ 395,265
Public safety	1,744,186
Transportation	1,321,608
Economic and physical development	14,927
Culture and recreation	1,113,052
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	<u>19,968</u>
Total depreciation expense - governmental activities	<u>\$ 4,609,006</u>
<b>Business-Type Activities:</b>	
Water	\$ 1,746,455
Sewer	3,287,775
Sludge composting	339,687
Stormwater	261,923
Transportation	346,863
Solid waste	<u>443,879</u>
Total depreciation expense - business-type activities	<u>\$ 6,426,582</u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Construction Commitments

The City has active construction projects as of June 30, 2019. At year-end, the outstanding commitments with contractors are as follows:

<b>Project</b>	<b>Spent-to-Date</b>	<b>Remaining Commitment</b>
Bond Program - Management-Freese & Nichols	\$ 1,317,715	\$ 22,551
Bond Program - Administration Cost	183,064	-
City Walk	1,508,038	212,490
River Walk	772,996	35,983
GateWays	337,810	-
Wayfinding	468,744	3,750
Trivium Corporate Center (Business Park 1764)	5,900,312	1,014,195
Lackey Park	94,641	-
Falling Creek Bridge	1,979,718	137,789
Public Safety Building	167,970	545
City Hall 2nd Floor Renovations	93,543	119,339
Geitner Basin	3,371,953	47,150
Central Business District	4,894,673	-
Short Road Sewer	54,500	13,500
Airport Improvements	265,787	303,674
McLin & Lyle Creek WW out	78,558	118,942
Murray Basin Sewerlines	354,828	5,977
Robinwood Access Road	203,773	2,608,111
Union Square	1,404,055	4,160,610
LR Blvd Gateway	6,500	-
Bookwalk	159	-
NE Sewer Grant Project	2,667,127	5,320
Total	<u>\$ 26,126,464</u>	<u>\$ 8,809,924</u>



# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Net Investment in Capital Assets

The net investment in capital assets is composed of the following elements:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets, net	\$ 61,798,685	\$ 144,745,107
Total debt, gross	(18,762,006)	(25,440,116)
Debt for non-capital assets	2,068,387	-
Unexpended proceeds	8,405,866	-
Total capital debt	(8,287,753)	(25,440,116)
Net investment in capital assets	<u>\$ 53,510,932</u>	<u>\$ 119,304,991</u>

### Note 7 – Liabilities

#### A. Payables

Payables at the government-wide level at June 30, 2019 were as follows:

	<b>Vendors</b>	<b>Salaries and Benefits</b>	<b>Accrued Interest</b>	<b>Other</b>	<b>Total</b>
<b>Governmental Activities:</b>					
General	\$ 1,875,839	\$ 1,093,666	\$ 228,154	\$ 862,592	\$ 4,060,251
General Capital Projects Fund	1,058,228	-	-	-	1,058,228
Other governmental	37,004	-	-	-	37,004
Total payables	<u>\$ 2,971,071</u>	<u>\$ 1,093,666</u>	<u>\$ 228,154</u>	<u>\$ 862,592</u>	<u>\$ 5,155,483</u>
<b>Business-Type Activities:</b>					
Water and sewer	\$ 1,416,124	\$ 115,626	\$ 127,072	\$ 430	\$ 1,659,252
Transportation	304,961	16,844	-	-	321,805
Solid waste	203,223	40,346	-	2,939	246,508
Other business-type	143,777	3,266	-	-	147,043
Total payables	<u>\$ 2,068,085</u>	<u>\$ 176,082</u>	<u>\$ 127,072</u>	<u>\$ 3,369</u>	<u>\$ 2,374,608</u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### B. Long-Term Debt

#### 1. Operating Leases

The City is committed under various operating leases for equipment. These operating leases are non-cancellable with terms extending through June 2024. For the year ended June 30, 2019, lease expenditures totaled \$51,256. Future minimum lease payments under the above leases as of June 30, 2019 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2020	\$ 57,171
2021	51,705
2022	40,167
2023	21,337
2024	<u>1,751</u>
Total minimum lease payments	<u>\$ 172,131</u>

#### 2. Installment Purchase Agreements

The installment purchase agreements are collateralized by the asset financed and do not carry the taxing power of the City. These agreements include providing insurance certificates, budget data, and financial information on an annual basis.

<u>Installment Purchase Agreement</u>	<u>Principal Outstanding</u>	<u>Cumulative Fund Total</u>
<b>Serviced by General Fund:</b>		
\$3,300,000 2005 TDA/Hickory Metro Trade Center expansion installment purchase agreement due in semi-annual installments of \$110,000 principal through December 29, 2019; interest payable semi-annually at 3.91%; this is non-capital debt for the City of Hickory; refinanced in April 2012 and reduced interest rate to 2.09%	\$ 110,000	
\$3,000,000 TDA parking deck installment purchase agreement due in semi-annual installments of \$100,000 principal plus interest at 2.94% through October 22, 2029; non-capital debt for the City of Hickory	1,958,387	
\$575,000 2018 radio system upgrade installment purchase agreement due in semi-annual installments of \$57,500 principal plus interest at 2.92% through September 19, 2023.	<u>517,500</u>	<u>\$ 2,585,887</u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	<u>Principal Outstanding</u>	<u>Cumulative Total</u>
<b>Serviced by the Water and Sewer Fund:</b>		
\$9,500,000 2005 Henry River basin sewer line installment purchase agreement due in semi-annual installments of \$237,500 principal plus interest at 3.55% through May 19, 2015; rate will reset on May 20, 2015 for another 10-year period; refinanced in April 2012 and reduced interest rate to 3.19% through May 19, 2025	2,850,000	
\$6,537,370 2003 Maiden water line installment purchase agreement due in semi-annual installments of \$184,523 principal plus interest at 4.19% through June 25, 2023; refinanced in May, 2006 and locked interest rate at 4.19% and reduced term through June 16, 2021; refinanced April 2012 and reduced interest rate to 2.17%	738,090	
\$9,900,000 Hickory-Catawba wastewater treatment facility installment purchase agreement due in semi-annual installments of \$391,216 including interest at 2.27% through February 12, 2021	<u>6,336,792</u>	<u>9,924,882</u>
Total		<u>\$ 12,510,769</u>

The City's outstanding note from direct placements related to governmental activities of \$110,000 is secured by a deed of trust on the TDA/Hickory Metro Trade Center located at 1960 13th Ave Dr SE. Upon failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and accrued interest are due. Default on the loan could result in one of the following after a 90 day notice: a) The unpaid principal components immediately due and payable, b) Court action to enforce the City's performance of the applicable covenants of the agreement, c) Escrow Agent could be required to pay over any balance remaining in the Project Fund to be applied against outstanding required payments, d) Execution and foreclosure and recovery of attorney's fees and other expenses.

The City's outstanding note from direct placements related to governmental activities of \$1,958,387 is secured by a deed of trust on the TDA parking deck located at 1960 13th Ave Dr SE. Upon failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and accrued interest are due. Default on the loan could result in one of the following after a 15 day notice: a) The unpaid principal components immediately due and payable, b) Court action to enforce the City's performance of the applicable covenants of the agreement, c) Escrow Agent could be required to pay over any balance remaining in the Project Fund to be applied against outstanding required payments, d) Execution and foreclosure and recovery of attorney's fees and other expenses.

The City's outstanding note from direct placements related to governmental activities of \$517,500 is an unsecured loan agreement with First National Bank of Pennsylvania on the radio system upgrade located at Hickory Police Department 347 2nd Ave SW. Upon failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and accrued interest are due. In the event of a default the lender refer the note to an attorney for collection or enforcements. The borrower would pay all expenses and costs incurred.

# **CITY OF HICKORY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

The City's outstanding note from direct placements related to governmental activities of \$2,850,000 is secured by a deed of trust on the Henry River basin sewer line located on Robinwood road located in Catawba County. Upon failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and accrued interest are due. Default on the loan could result in one of the following: a) The unpaid principal components immediately due and payable, b) Court action to enforce the City's performance of the applicable covenants of the agreement, c) Escrow Agent could be required to pay over any balance remaining in the Project Fund to be applied against outstanding required payments, d) Execution and foreclosure and recovery of attorney's fees and other expenses.

The City's outstanding note from direct placements related to governmental activities of \$738,090 is secured by a deed of trust on the construction of Maiden water line located from Hickory to Maiden. Upon failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and accrued interest are due. Default on the loan could result in one of the following: a) The unpaid principal components immediately due and payable, b) Court action to enforce the City's performance of the applicable covenants of the agreement, c) Escrow Agent could be required to pay over any balance remaining in the Project Fund to be applied against outstanding required payments, d) Execution and foreclosure and recovery of attorney's fees and other expenses.

The City's outstanding note from direct placements related to governmental activities of \$6,336,792 is secured by a deed of trust on the Hickory-Catawba wastewater treatment facility located at 104 6th Ave NE. Default on the loan could result in one of the following: a) The unpaid principal components immediately due and payable, b) Court action to enforce the City's performance of the applicable covenants of the agreement, c) Execution and foreclosure and recovery of attorney's fees and other expenses.

### *3. Notes Payable*

On December 3, 2010, the City entered into an agreement with the state for a loan from the State Loan Pool for construction of the Northeast wastewater treatment plant. The approved amount was \$17,500,000, which requires twenty annual principal payments of \$875,000 and forty semi-annual interest payments at 2.48% beginning six months after completion of the project. The City currently owes \$12,250,000 on this debt. Principal and interest requirements will be provided by appropriation in the year that they become due. The long-term debt is recorded in the Water and Sewer Fund. The City's outstanding note from direct borrowings related to business-type activities of \$12,250,000 is not secured by a pledge of the faith and credit of the State of North Carolina or of the City, but is payable solely from the revenues of the Project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the City from the State may be withheld by the State and applied to the payment of the outstanding debt.

On February 24, 2011, the City entered into an agreement with the state for a loan for Cripple Creek sewer line. The approved amount was \$801,145, which requires twenty annual principal payments of \$40,057 with no interest. The City currently owes \$440,630 on this debt. Principal and interest requirements will be provided by appropriation in the year that they become due. The long-term debt is recorded in the Water and Sewer Fund. The City's outstanding note from direct borrowings related to business-type activities of \$440,630 is not secured by a pledge of the faith and credit of the State of North Carolina or of the City, but is payable solely from the revenues of the Project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the City from the State may be withheld by the State and applied to the payment of the outstanding debt.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

On May 3, 2016, the City entered into an agreement for a \$1,232,398 note payable in bi-annual installments of \$68,205, through May 2038, and interest at 1.66% per year for the Central Business District. This loan was approved for \$1,364,100 and will increase based upon drawdowns during project finalization in fiscal year 2020 as CWSRF project is complete. The City currently owes \$1,164,194 on this debt. Principal and interest requirements will be provided by appropriation in the year that they become due. The long-term debt is recorded in the Water and Sewer Fund. The City's outstanding note from direct borrowings related to business-type activities of \$1,164,194 is not secured by a pledge of the faith and credit of the State of North Carolina or of the City, but is payable solely from the revenues of the Project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the City from the State may be withheld by the State and applied to the payment of the outstanding debt.

On May 3, 2016, the City entered into an agreement with for a \$1,824,026 note payable in bi-annual installments of \$163,616, through May 2038, and interest at 1.66% per year for Geitner Basin. This loan was approved for \$3,272,322 on May 3, 2016 and will increase to \$3,519,475. The City currently owes \$1,660,410 on this debt. Principal and interest requirements will be provided by appropriation in the year that they become due. The long-term debt is recorded in the Water and Sewer Fund. The City's outstanding note from direct borrowings related to business-type activities of \$1,660,410 is not secured by a pledge of the faith and credit of the State of North Carolina or of the City, but is payable solely from the revenues of the Project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the City from the State may be withheld by the State and applied to the payment of the outstanding debt.

### *4. General Obligation Indebtedness*

General obligation bonds are collateralized by the full faith, credit, and taxing power of the County. Principal and interest requirements will be provided by appropriation in the year in which they become due.

<b>General Obligation Indebtedness</b>	<b>Principal Outstanding</b>	<b>Cumulative Fund Total</b>
<b>Serviced by General Fund:</b>		
\$15,000,000 General Obligation Bonds, Series 2018: Principal due in annual installments of \$750,000 through June 30, 2039. Interest payable semi-annually (March and September) ranges from 3.0% to 5.0% issued March 2019.	<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### 5. Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

	Long-Term Debt			Long-Term Debt	
	June 30, 2018	Additions	Retirements	June 30, 2019	Due Within One Year
<b>Governmental Activities:</b>					
Accrued liability law enforcement officers'					
Total pension liability (LEOSSA)	\$ 3,559,244	\$ 272,909	\$ 287,178	\$ 3,544,975	\$ -
Compensated absences	2,390,069	1,511,314	1,469,167	2,432,216	1,322,250
Total OPEB liability	17,786,111	-	1,616,293	16,169,818	-
General obligation bonds	-	15,000,000	-	15,000,000	750,000
Issuance discount/premium	-	1,176,119	-	1,176,119	58,806
Net pension liability (LGERS)	5,633,923	2,897,944	-	8,531,867	-
Direct placement installment purchase	2,681,921	575,000	671,034	2,585,887	425,000
Governmental activities					
long-term liabilities	<u>\$ 32,051,268</u>	<u>\$ 21,433,286</u>	<u>\$ 4,043,672</u>	<u>\$ 49,440,882</u>	<u>\$ 2,556,056</u>
<b>Business-Type Activities:</b>					
<b>Water and Sewer:</b>					
Compensated absences	\$ 394,383	\$ 193,426	\$ 169,388	\$ 418,421	\$ 152,449
Net pension liability (LGERS)	922,368	470,710	-	1,393,078	-
Total OPEB liability	3,690,794	-	335,397	3,355,397	-
Direct placement installment purchase	11,496,541	-	1,571,659	9,924,882	1,486,258
Notes from direct borrowings	16,662,111	-	1,146,877	15,515,234	1,146,883
Water and sewer long-term liabilities	<u>33,166,197</u>	<u>664,136</u>	<u>3,223,321</u>	<u>30,607,012</u>	<u>2,785,590</u>
<b>Other Enterprise Funds:</b>					
Compensated absences	146,541	100,989	83,390	164,140	75,345
Net pension liability (LGERS)	403,405	208,171	-	611,576	-
Total OPEB liability	1,652,069	-	150,130	1,501,939	-
Other enterprise funds long-term liabilities	<u>2,202,015</u>	<u>309,160</u>	<u>233,520</u>	<u>2,277,655</u>	<u>75,345</u>
Business-type activities					
long-term liabilities	<u>\$ 35,368,212</u>	<u>\$ 973,296</u>	<u>\$ 3,456,841</u>	<u>\$ 32,884,667</u>	<u>\$ 2,860,935</u>

Compensated absences and the law enforcement officers' pension liability have typically have been liquidated in the General Fund for governmental activities. At June 30, 2019, the City had a legal debt margin of \$348,740,802.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### 6. Future Maturities for Long-Term Indebtedness

The following table summarizes the annual requirements to amortize all long-term debt outstanding (excluding compensated absences and law enforcement officers' unfunded retirement contribution):

	General Obligation Bonds		Note from Direct Borrowings		Direct Placement Installment Purchase Agreements		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
<b>Governmental</b>								
<b>Activities:</b>								
2020	\$ 750,000	\$ 616,875	\$ -	\$ -	\$ 425,000	\$ 71,528	\$ 1,175,000	\$ 688,403
2021	750,000	579,375	-	-	315,000	61,140	1,065,000	640,515
2022	750,000	541,875	-	-	315,000	51,902	1,065,000	593,777
2023	750,000	504,375	-	-	315,000	42,664	1,065,000	547,039
2024	750,000	466,875	-	-	257,500	33,426	1,007,500	500,301
2025-2029	3,750,000	1,771,875	-	-	958,387	74,733	4,708,387	1,846,608
2030-2034	3,750,000	901,875	-	-	-	-	3,750,000	901,875
2035-2039	3,750,000	300,000	-	-	-	-	3,750,000	300,000
	<u>15,000,000</u>	<u>5,683,125</u>	<u>-</u>	<u>-</u>	<u>2,585,887</u>	<u>335,393</u>	<u>17,585,887</u>	<u>6,018,518</u>
<b>Business-Type</b>								
<b>Activities:</b>								
2020	-	-	1,146,883	376,916	1,486,258	241,363	2,633,141	618,279
2021	-	-	1,146,878	351,368	1,500,917	203,541	2,647,795	554,909
2022	-	-	1,146,878	325,820	1,146,868	167,387	2,293,746	493,207
2023	-	-	1,146,878	300,272	1,162,205	136,896	2,309,083	437,168
2024	-	-	1,146,878	274,723	1,177,894	106,055	2,324,772	380,778
2025-2029	-	-	5,734,392	990,394	3,450,740	165,351	9,185,132	1,155,745
2030-2034	-	-	4,046,447	390,171	-	-	4,046,447	390,171
	<u>-</u>	<u>-</u>	<u>15,515,234</u>	<u>3,009,664</u>	<u>9,924,882</u>	<u>1,020,593</u>	<u>25,440,116</u>	<u>4,030,257</u>
<b>Total</b>	<u>\$ 15,000,000</u>	<u>\$ 5,683,125</u>	<u>\$ 15,515,234</u>	<u>\$ 3,009,664</u>	<u>\$ 12,510,769</u>	<u>\$ 1,355,986</u>	<u>\$ 43,026,003</u>	<u>\$ 10,048,775</u>

### Note 8 – Pension Plan Obligations

#### A. Local Government Employees' Retirement System

##### 1. Description

The City of Hickory is a participating employer in the state-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

# **CITY OF HICKORY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The state's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

### *2. Benefits Provided*

LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

### *3. Contributions*

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Hickory employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Hickory's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Hickory were \$2,235,832 for the year ended June 30, 2019.



# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### 4. Refunds of Contributions

City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

### *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2019, the City reported a liability of \$10,536,521 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the City's proportion was 0.444%, which was a decrease of 0.011% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$2,708,245. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,625,535	\$ 54,545
Changes of assumptions	2,795,987	-
Net difference between projected and actual earnings on pension plan investments	1,446,350	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	497,049
City contributions subsequent to the measurement date	2,235,832	-
Total	<u>\$ 8,103,704</u>	<u>\$ 551,594</u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

\$2,235,832 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Amount</b>
2020	\$ 2,595,397
2021	1,675,043
2022	249,839
2023	795,999
2024	-
Thereafter	-
Total	<u>\$ 5,316,278</u>

### 5. Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are, therefore, not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

### 6. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### 7. Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate.

The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability or net pension asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability (asset)	<u>\$ 25,309,633</u>	<u>\$ 10,536,521</u>	<u>\$ (1,808,125)</u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### 8. *Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

### **B. Law Enforcement Officers' Special Separation Allowance**

#### 1. *Plan Description*

The City of Hickory administers a public employee retirement system (the "Separation Allowance"); a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of credible service or have attained 55 years of age and have completed five or more years of credible service. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan.

The Separation Allowance covers all full-time law enforcement officers of the City. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits	19
Non-vested	<u>111</u>
Total	<u><u>130</u></u>

#### 2. *Summary of Significant Accounting Policies*

*Basis of Accounting.* The City has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria, which are outlined in GASB Statement 73.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### 3. Actuarial Assumptions

The entry age normal method was used in the December 31, 2017 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Projected salary increases	3.5 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five-year period ending December 31, 2014.

**DEATHS AFTER RETIREMENT (HEALTHY):** RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

**DEATHS BEFORE RETIREMENT:** RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

**DEATHS AFTER RETIREMENT (BENEFICIARY):** RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 123% for males and females.

**DEATHS AFTER RETIREMENT (DISABLED):** RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

### 4. Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$287,178 as benefits came due for the reporting period.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2019, the City reported a total pension liability of \$3,544,975. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$333,948.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Benefit payments and administrative costs subsequent to measurement date	\$ 149,595	\$ -
Changes of assumptions and other inputs	133,349	153,588
Differences between expected and actual experience	<u>263,572</u>	<u>-</u>
Total	<u><u>\$ 546,516</u></u>	<u><u>\$ 153,588</u></u>

\$149,595 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2020	\$ 60,221
2021	60,221
2022	60,221
2023	62,576
2024	94
Thereafter	<u>-</u>
Total	<u><u>\$ 243,333</u></u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

*Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate.* The following presents the City's total pension liability calculated using the discount rate of 3.64%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64%) or 1-percentage-point higher (4.64%) than the current rate:

	<b>1% Decrease (2.64%)</b>	<b>Discount Rate (3.64%)</b>	<b>1% Increase (4.64%)</b>
Total pension liability	<u>\$ 3,839,979</u>	<u>\$ 3,544,975</u>	<u>\$ 3,276,968</u>

### **Schedule of Changes in Total Pension Liability Law Enforcement Officers' Special Separation Allowance**

Beginning balance	\$ 3,559,244
Service cost	164,385
Interest on the total pension liability	107,935
Difference between expected and actual experience	138,715
Changes of assumptions and other inputs	(138,126)
Benefit payments made	<u>(287,178)</u>
Net change in total pension liability	<u>(14,269)</u>
Ending balance of the total pension liability	<u>\$ 3,544,975</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2014.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Total Expense, Liabilities, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 2,708,245	\$ 333,948	\$ 3,042,193
Pension liability	10,536,521	3,544,975	14,081,496
Proportion of the net pension liability (asset)	0.45556%	N/A	-

#### Deferred Outflows of Resources

Differences between expected and actual experience	\$ 1,625,535	\$ 263,572	\$ 1,889,107
Changes of assumptions	2,795,987	133,349	2,929,336
Net difference between projected and actual earnings on pension plan investments	1,446,350	-	1,446,350
Employer contributions (LGERS) and benefit payments and administration costs (LEOSSA) subsequent to the measurement date	2,235,832	149,595	2,385,427
	<u>\$ 8,103,704</u>	<u>\$ 546,516</u>	<u>\$ 8,650,220</u>

#### Deferred Inflows of Resources

Differences between expected and actual experience	\$ 54,545	\$ -	\$ 54,545
Changes of assumptions	-	153,588	153,588
Changes in proportion and differences between employer contributions and proportionate share of contributions	497,049	-	497,049
	<u>\$ 551,594</u>	<u>\$ 153,588</u>	<u>\$ 705,182</u>

### C. Supplemental Retirement Income Plan for Law Enforcement Officers

The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. North Carolina G.S. 135-5 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The state's CAFR includes the Pension Trust Fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919)981-5454.



# **CITY OF HICKORY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

North Carolina G.S. 143-12E requires the City to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. In addition, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$376,446, which consisted of \$268,660 from the City and \$107,786 from the law enforcement officers. No amounts were forfeited.

### **Note 9 – Death Benefit Plan**

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the state. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

### **Note 10 – Other Post-Employment Benefits (OPEB)**

#### **A. Description**

The City administers a single-employer defined benefit healthcare plan ("the health plan"), which provides post-retirement healthcare benefits to retirees of the City, provided they meet any of the retirement options available through the North Carolina Local Governmental Employees' Retirement System (LERS) and reach the 15-year service level of creditable service with the City and were hired prior to July 1, 2008. Upon reaching the 15-year service level, the City will allow employees to participate in the City's health insurance program at the retiree's expense. The City will pay 25% of the individual premiums for retirees who retire from the City and have 20 to 29.99 years of service with the City of Hickory. For employees who attain 30 years of service with the City of Hickory, the City will pay 100% of the individual premium. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

## CITY OF HICKORY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Dependent or spouse coverage in the health plan must be paid in full by the retiree. Eligibility for coverage ceases when the retiree and/or dependents become Medicare eligible. Persons hired on or after July 1, 2008 are not eligible for this benefit.

Retired Employees' Years of Creditable Service	Date Hired	
	Pre-July 1, 2008	On or After July 1, 2008
Less than 15 years	Not eligible	Not eligible
15 to 20 years	Full coverage paid by the retiree	Not eligible
20 to 30 years	25% of the cost of coverage paid by the City	Not eligible
At least 30 years	100% of the cost of coverage paid by the City	Not eligible

Membership of the plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

Retirees receiving benefits	83
Active members	274
Total	<u>357</u>

#### B. Funding Policy

The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees as authorized by the approved personnel ordinance. In addition, the budget for these expenditures is approved, along with other healthcare expenditures as part of the annual budget process. In addition to coverage for employees, the City's members can elect to pay for spouse, dependent, or family coverage. For fiscal year 2019, the City chose to fund the plan benefits on a pay-as-you-go basis.

#### Total OPEB Liability

The County's total OPEB liability of \$21,027,154 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	1.00 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation:	
General Employees	3.50 to 7.75 percent
Firefighters	3.50 to 7.75 percent
Law Enforcement Officers	3.50 to 7.35 percent
Municipal Bond Index Rate:	
Prior Measurement Date	3.56 percent
Measurement Date	3.89 percent
Healthcare cost trend rates:	
Pre-Medicare	7.25 percent for 2018 decreasing to an ultimate rate of 4.75 percent by 2028
Dental	4.00 percent

The discount rate is based on the June average of the Bond Buyer General Obligation 20-Year Municipal Bond Index published weekly by The Bond Buyer.

### Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
Balance at July 1, 2018	<u>\$ 23,128,974</u>
Changes for the year:	
Service cost	661,419
Interest	803,208
Differences between expected and actual experience	(303,316)
Changes of assumptions or other inputs	(2,119,216)
Benefit payments	<u>(1,143,915)</u>
Net changes	<u>(2,101,820)</u>
Balance at June 30, 2019	<u><u>\$ 21,027,154</u></u>

Changes in assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.56% to 3.89%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	<b>1% Decrease (2.89%)</b>	<b>Discount Rate (3.89%)</b>	<b>1% Increase (4.89%)</b>
Total OPEB liability	<u>\$ 22,969,783</u>	<u>\$ 21,027,154</u>	<u>\$ 19,269,070</u>

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.* The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Total OPEB liability	<u>\$ 18,999,419</u>	<u>\$ 21,027,154</u>	<u>\$ 23,355,880</u>

### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense of \$886,913. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 114,575	\$ 249,915
Changes of assumptions	-	2,569,714
Benefit payments and plan administrative expense made subsequent to the measurement date	<u>975,359</u>	<u>-</u>
Total	<u>\$ 1,089,934</u>	<u>\$ 2,819,629</u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

\$975,359 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Total</b>
2020	\$ (586,914)
2021	(586,914)
2022	(586,914)
2023	(586,914)
2024	(357,398)
Thereafter	-
Total	<u>\$ (2,705,054)</u>

### Note 11 – Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

The City has complied with changes in the laws that govern the City's Deferred Compensation Plan, requiring all assets of the plan to be held in trust for the exclusive benefit of the participants and their beneficiaries. Formerly, the undistributed amounts that had been deferred by the plan participants were required to be reported as assets of the City. In accordance with GASB Statement 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans", the City's Deferred Compensation Plan is no longer reported within the City's agency funds.

### Note 12 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and/or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured for workers' compensation coverage for all employees. Funding is provided by charges to the various funds of the City based upon submitted claims. Aggregate and specific stop loss insurance coverage is provided annually by Safety National Insurance. Compensation Claims Solution provides third-party claims administration. The City has recognized a provision of \$351,380 for claims incurred, but not reported, in the accompanying financial statements. This provision is estimated based upon analysis of historical claims experience reviewed by the City's third-party administrator.

# **CITY OF HICKORY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

The City is self-insured for health and dental coverage for all full-time employees. Funding is provided by employee contributions and charges to the various funds of the City based upon estimated claims and employee participation. The claims administrator determines estimated claims annually. Aggregate and specific stop loss insurance coverage is provided annually by Blue Cross and Blue Shield of North Carolina, who also provides contracted third-party claims administration. The City has recognized a provision of \$511,212 for claims incurred, but not reported, in the accompanying financial statements. This provision is estimated based upon analysis of historical claims experience reviewed by the City's third-party administrator.

The City carries flood insurance through our insurance carrier, Travelers Insurance. The City has purchased coverage of \$500,000 per incident.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance (crime bond) bonded through a commercial surety bond. The Finance Officer, Deputy Finance Officer, and Tax Collector are bonded for \$350,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

The City carries commercial coverage for all other risks of loss. This coverage includes property insurance coverage with a blanket limit of \$237 million on buildings and contents, with a \$5,000 deductible and general liability coverage of \$1 million with a \$3 million aggregate and \$8 million umbrella per occurrence with a \$5,000 deductible. Settled claims have not exceeded coverage in any of the last three years.

Changes in the balances of claims liabilities during the past two years are as follows:

	<b><u>June 30, 2019</u></b>	<b><u>June 30, 2018</u></b>
Unpaid claims, beginning of fiscal year	\$ 1,167,006	\$ 1,329,560
Incurred claims (including IBNRs)	4,002,260	4,349,964
Claim payments	<u>(4,306,674)</u>	<u>(4,512,518)</u>
Unpaid claims, end of fiscal year	<u>\$ 862,592</u>	<u>\$ 1,167,006</u>

# CITY OF HICKORY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Note 13 – Interfund Activity

The transfers to/from other funds at June 30, 2019 consist of the following:

From General Fund to General Capital Project Fund for capital needs to close projects	\$ 1,822,017
From Water and Sewer Fund to Stormwater Fund for operational needs	118,454
From Water and Sewer Fund to Capital Reserve Fund for capital needs	740,000
From General Fund to Multi-Year Grant Project Fund for grant matching requirements	18,138
From General Fund to Capital Reserve Fund for future capital expenditures	997,458
From General Fund to Insurance Fund for operational needs	200,000
From General Capital Project Fund to General Fund to close projects	142,802
From General Fund to Stormwater Fund for operational needs	118,454
From Water and Sewer Fund to Water and Sewer Capital Project Fund for capital project expenditures	290,500
From Transportation Fund to Transportation Capital Project Fund capital project expenditures	50,173
From Multi-Year Grants Project Fund to General Fund for return of unspent project funding	2,173
From Capital Reserve Fund to General Fund for capital expenditures	760,000
From Capital Reserve Fund to Water and Sewer Fund for for capital project expenditures	2,200,000
From Solid Waste Fund to Stormwater Fund for operational needs	26,000
Total interfund transfers	<u><u>\$ 7,486,169</u></u>

The due to/from other funds at June 30, 2019 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fleet management	\$ 1,207,948
General Fund	Community Development Entitlement Block grant	68,694
General Fund	Transportation Fund	820,467
		<u><u>\$ 2,097,109</u></u>

# **CITY OF HICKORY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances also include the amount of working capital loans made to internal service funds that the General Fund expects to collect in the subsequent year. The Transportation Fund is reimbursing the General Fund for a loan that was paid by the General Fund.

### **Note 14 – Claims and Judgments**

At June 30, 2019, the City was involved in several lawsuits involving damages and potential claims. The exact amount of any claim cannot at this time be determined. It is the opinion of the City Attorney and City management that none of these lawsuits would have any adverse financial impact upon the City or its financial position.

### **Note 15 – Summary Disclosure of Significant Contingencies**

The City has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

### **Note 16 – Related Organization**

The Mayor and Council of the City of Hickory appoint the seven-member Board of the City of Hickory Housing Authority. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Hickory is also disclosed as a related organization in the notes to the financial statements for the City of Hickory Housing Authority.

### **Note 17 – Agreements with Other Organizations**

#### **A. Hickory-Conover Tourism Development Authority**

The City of Hickory, the City of Conover, and the Catawba County Chamber of Commerce established the Hickory-Conover Tourism Development Authority (TDA) under session law SL 2009-45, Sec.29. The Board of the TDA consists of nine members - three appointed by the Hickory City Council, two by the Conover City Council, and one by the Chamber of Commerce. In addition, three ex-officio members are appointed: the City Managers of Hickory and Conover, along with the Executive Vice-President of the Catawba County Chamber of Commerce. The TDA was formed to promote tourism and economic development. The TDA is funded by an occupancy tax approved by the North Carolina State Legislature. The City of Hickory collects the tax and passes it directly to the TDA. No City funds are used to support the TDA. The Authority approves its own budget, is entitled to any surpluses or must finance any deficits, is legally responsible for its own debts, and designates its own management. Complete financial statements for the TDA may be obtained from the TDA's administrative offices at 470 Highway 70, SW, Hickory, North Carolina, or by writing P.O. Box 1828, Hickory, North Carolina 28603.



## **CITY OF HICKORY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

#### **B. Western Piedmont Council of Governments**

The Western Piedmont Council of Governments is a voluntary association of four counties and 24 municipalities. The Council was established by the participating governments to coordinate funding from federal and state agencies. Each county or municipality appoints one member to the Council's governing board, whose responsibilities include approving the budget and designating the management of the Council. The City paid membership dues of \$39,601 during the fiscal year ended June 30, 2019.

#### **C. Sludge Facility Consortium**

The City, in conjunction with the City of Conover and Catawba County, established the Sludge Facility Consortium to operate the Sludge Compost Facility. The City and County managers of all participating units serve on the three-member Board. However, the City of Hickory provides all administrative and managerial services for the facility due to 100% ownership of the assets, under the Board's direction. The agreement between the parties requires the payment of 66% from the City of Hickory, 18.5% from Catawba County, and 15.5% from the City of Conover, for all costs of construction and operations of the facility. The City was required to pay \$1,314,231 for operations for the year ended June 30, 2019. The complete sludge facility financial statements are shown in the financial section under combining and individual fund financial statements and schedules.

#### **Note 18 - Subsequent Events**

The City will issue its second installment of General Obligation Bonds in the amount of \$15,000,000 (\$40 million authorized in 2014) in the fall of 2019. The funds will be used to fund the Riverwalk Project and the remaining amount for the City Walk Project, as well as enhancements to Trivium Corporate Center, the City's Class-A Business Park. On October 17, 2019, the City received an upgrade to its bond rating from Moody's Investors Service from Aa2 to Aa1 and Standard & Poor's affirmed its AA+ rating that will be assigned to the bonds.



## **Required Supplemental Financial Data**

This section contains additional information required by generally accepted accounting principles.

### **Schedule of Changes in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance**

### **Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance**

### **Schedule of Changes in the Total OPEB Liability and Related Ratios**

### **Schedule of Proportionate Share of Net Pension Liability (Asset) for the Local Government Employees' Retirement System**

### **Schedule of Pension Contributions for the Local Government Employees' Retirement System**



## CITY OF HICKORY, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**  
**LAST THREE FISCAL YEARS\***

<b>Law Enforcement Officers' Special Separation Allowance</b>			
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 3,559,244	\$ 3,190,102	\$ 3,299,125
Service cost	164,385	135,028	146,016
Interest on the total pension liability	107,935	117,164	112,568
Difference between expected and actual experience	138,715	224,590	-
Changes in assumptions or other inputs	(138,126)	201,909	(75,701)
Benefit payments	(287,178)	(309,549)	(291,906)
Ending balance of the total pension liability	<u>\$ 3,544,975</u>	<u>\$ 3,559,244</u>	<u>\$ 3,190,102</u>

The amounts presented for each fiscal year were determined as of the prior December 31.

\*Pension schedules are intended to show information for ten years, additional years' information will be displayed as it comes available.

## CITY OF HICKORY, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
LAST THREE FISCAL YEARS**

	<b>Law Enforcement Officers' Special Separation Allowance</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 3,544,975	\$ 3,559,244	\$ 3,190,102
Covered payroll	5,441,525	5,231,012	5,373,660
Total pension liability as a percentage of covered payroll	65.15%	68.04%	59.37%

**Notes to Schedules:**

The City of Hickory has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

## CITY OF HICKORY, NORTH CAROLINA

## OTHER POST-EMPLOYMENT BENEFITS

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

## LAST TWO FISCAL YEARS

Other Post-Employment Benefits		
	2019	2018
Service cost	\$ 661,419	\$ 718,706
Interest	803,208	698,414
Differences between expected and actual experience	(303,316)	166,419
Changes of assumptions or other inputs	(2,119,216)	(1,196,267)
Benefit payments	(1,143,915)	(916,075)
Net change in total OPEB liability	(2,101,820)	(528,803)
Total OPEB liability - beginning	23,128,974	23,657,777
Total OPEB liability - ending	<u>\$ 21,027,154</u>	<u>\$ 23,128,974</u>
Covered payroll	\$ 13,499,380	\$ 15,733,224
Total OPEB liability as a percentage of covered payroll	155.76%	147.01%

**Notes to the Required Schedules:**

*Changes of Assumptions:* Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

Fiscal Year	Rate
2019	3.89%
2018	3.56%

## CITY OF HICKORY, NORTH CAROLINA

CITY OF HICKORY'S PROPORTIONATE SHARE  
OF NET PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST SIX FISCAL YEARS\*

	Local Government Employees' Retirement System					
	2019	2018	2017	2016	2015	2014
Hickory's proportion of the net pension liability (asset) (%)	0.44414%	0.45556%	0.46454%	0.50266%	0.50893%	0.50100%
Hickory's proportion of the net pension liability (asset) (\$)	\$ 10,536,521	\$ 6,959,696	\$ 9,394,282	\$ 2,255,905	\$ (3,001,397)	\$ 6,038,974
Hickory's covered payroll	27,019,564	26,694,921	26,213,071	25,900,959	25,586,063	23,581,414
Hickory's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	39.00%	26.07%	35.84%	8.71%	11.73%	25.61%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* This will be the same percentage for all participant employers in the LGERS plan.

Note: The pension schedules in the required supplementary information are intended to show information for ten years. Additional information will be displayed as it becomes available.



## CITY OF HICKORY, NORTH CAROLINA

CITY OF HICKORY'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST SIX FISCAL YEARS

	<b>Local Government Employees' Retirement System</b>					
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 2,235,832	\$ 2,079,421	\$ 1,991,269	\$ 1,089,934	\$ 1,848,000	\$ 1,819,354
Contributions in relation to the contractually required contribution	<u>2,235,832</u>	<u>2,079,421</u>	<u>1,991,269</u>	<u>1,089,934</u>	<u>1,848,000</u>	<u>1,819,354</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hickory's covered payroll	\$ 28,267,776	\$ 27,019,564	\$ 26,694,921	\$ 26,213,071	\$ 25,900,959	\$ 25,586,063
Contributions as a percentage of covered payroll	7.91%	7.70%	7.46%	4.16%	7.13%	7.11%

Note: The pension schedules in the required supplementary information are intended to show information for ten years.  
Additional information will be displayed as it becomes available.



## **General Fund**

The General Fund accounts for all financial resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.



## CITY OF HICKORY, NORTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - ACTUAL - GENERAL FUND CONSOLIDATED  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>General Fund</b>	<b>Capital Reserve Fund</b>	<b>Eliminations</b>	<b>Total General Fund</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ 28,100,944	\$ -	\$ -	\$ 28,100,944
Other taxes	17,692,047	-	-	17,692,047
Unrestricted intergovernmental revenues	641,027	-	-	641,027
Restricted intergovernmental revenues	2,488,027	-	-	2,488,027
Licenses and permits	4,832	-	-	4,832
Sales and services	1,438,198	-	-	1,438,198
Investment earnings	822,950	140,449	-	963,399
Miscellaneous	971,920	-	-	971,920
Total revenues	<u>52,159,945</u>	<u>140,449</u>	<u>-</u>	<u>52,300,394</u>
<b>Expenditures:</b>				
Current:				
General government	6,134,644	-	-	6,134,644
Public safety	24,864,783	-	-	24,864,783
Transportation	6,039,048	-	-	6,039,048
Economic and physical development	3,705,197	-	-	3,705,197
Culture and recreation	6,547,202	-	-	6,547,202
Debt service:				
Principal retirement	671,034	-	-	671,034
Interest fees	76,984	-	-	76,984
Bond issuance costs	286,032	-	-	286,032
Total expenditures	<u>48,324,924</u>	<u>-</u>	<u>-</u>	<u>48,324,924</u>
Revenues over (under) expenditures	<u>3,835,021</u>	<u>140,449</u>	<u>-</u>	<u>3,975,470</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	904,975	1,737,458	(760,000)	1,882,433
Transfers out	(3,156,067)	(2,960,000)	760,000	(5,356,067)
Issuance of long-term debt	575,000	-	-	575,000
Total other financing sources (uses)	<u>(1,676,092)</u>	<u>(1,222,542)</u>	<u>-</u>	<u>(2,898,634)</u>
Net change in fund balances	2,158,929	(1,082,093)	-	1,076,836
<b>Reconciliation from Budgetary Basis of Accounting to Modified Accrual Basis:</b>				
Current year note receivable payments	<u>(561,400)</u>	<u>-</u>	<u>-</u>	<u>(561,400)</u>
Net change in fund balance modified accrual	1,597,529	(1,082,093)	-	515,436
<b>Fund Balance:</b>				
Fund balance, beginning	<u>31,112,338</u>	<u>6,666,331</u>	<u>-</u>	<u>37,778,669</u>
End of year - June 30	<u>\$ 32,709,867</u>	<u>\$ 5,584,238</u>	<u>\$ -</u>	<u>\$ 38,294,105</u>

**CITY OF HICKORY, NORTH CAROLINA**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**

**IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2019**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2019</b>			<b>2018</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Current year	\$ 26,700,000	\$ 27,524,478	\$ 824,478	26,760,607
Prior years	425,000	429,373	4,373	440,790
Penalties and interest	125,000	147,093	22,093	147,970
Total	<u>27,250,000</u>	<u>28,100,944</u>	<u>850,944</u>	<u>27,349,367</u>
<b>Other Taxes:</b>				
Local option sales tax	10,202,000	11,016,777	814,777	10,380,928
Franchise tax	3,025,000	3,349,937	324,937	3,234,684
Telecommunication tax	850,000	793,021	(56,979)	839,810
Hickory-Conover motel/occupancy tax	2,000,000	2,177,957	177,957	2,050,198
Vehicle tag tax	170,000	185,639	15,639	184,709
Gross receipts tax	135,000	168,716	33,716	163,224
Total	<u>16,382,000</u>	<u>17,692,047</u>	<u>1,310,047</u>	<u>16,853,553</u>
<b>Unrestricted Intergovernmental Revenues:</b>				
Payments in lieu of taxes	25,000	11,047	(13,953)	25,820
Beer and wine	180,000	175,642	(4,358)	175,213
Traffic control	300,000	364,338	64,338	369,440
Public school resource officer	90,000	90,000	-	90,000
Total	<u>595,000</u>	<u>641,027</u>	<u>46,027</u>	<u>660,473</u>
<b>Restricted Intergovernmental Revenues:</b>				
Federal grants	-	39,895	39,895	297,736
State grants	1,342,717	1,399,510	56,793	1,408,481
Local grants	-	18,855	18,855	18,124
Catawba County for library	219,000	220,902	1,902	217,808
Catawba County for police	198,926	209,481	10,555	52,772
Catawba County fire district tax	528,315	527,775	(540)	513,878
Catawba County for volunteer fire	8,400	8,400	-	10,500
Catawba County for convention center	63,209	63,209	-	64,497
Total	<u>2,360,567</u>	<u>2,488,027</u>	<u>127,460</u>	<u>2,583,796</u>
<b>Licenses and Permits:</b>				
Privilege licenses	-	-	-	1
Beer and wine licenses	4,500	4,680	180	4,657
Taxi permits	600	77	(523)	69
Miscellaneous permits	-	75	75	125
Total	<u>5,100</u>	<u>4,832</u>	<u>(268)</u>	<u>4,852</u>

**CITY OF HICKORY, NORTH CAROLINA**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**

**IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2019**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2019</b>			<b>2018</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Sales and Services:</b>				
Recreation services	214,340	236,872	22,532	211,798
Fire department services	163,000	174,601	11,601	189,425
Police department services	25,200	32,079	6,879	18,039
Street paving	10,000	34,405	24,405	11,787
Parking rentals	56,000	47,595	(8,405)	64,271
Library services	43,000	42,161	(839)	42,703
Rents and royalties	900,976	781,396	(119,580)	1,025,614
Cemetery plots	30,000	47,128	17,128	30,965
District court fees	50,000	8,715	(41,285)	50,925
Communications	-	286	286	262
Plan reviews	30,000	32,960	2,960	28,340
Total	<u>1,522,516</u>	<u>1,438,198</u>	<u>(84,318)</u>	<u>1,674,129</u>
<b>Investment Earnings</b>	<u>155,000</u>	<u>822,950</u>	<u>667,950</u>	<u>136,995</u>
<b>Miscellaneous:</b>				
Donations	33,442	55,903	22,461	93,471
Advertising fees	-	1,150	1,150	-
Insurance claims	100,000	70,694	(29,306)	142,297
Sale of properties	35,000	86,561	51,561	99,763
Other	724,402	757,612	33,210	231,333
Total	<u>892,844</u>	<u>971,920</u>	<u>79,076</u>	<u>566,864</u>
Total revenues	<u>49,163,027</u>	<u>52,159,945</u>	<u>2,996,918</u>	<u>49,830,029</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Governing Body:</b>				
Salaries and employee benefits	517,448	534,287	(16,839)	466,404
Operating expenditures	268,840	223,778	45,062	209,074
Administrative reimbursement	(196,108)	(196,108)	-	(192,262)
Total	<u>590,180</u>	<u>561,957</u>	<u>28,223</u>	<u>483,216</u>
<b>Administration:</b>				
Salaries and employee benefits	1,170,135	1,164,163	5,972	1,163,333
Operating expenditures	212,901	176,772	36,129	230,714
Capital outlay	22,110	13,721	8,389	7,528
Administrative reimbursement	(251,748)	(251,748)	-	(246,809)
Total	<u>1,153,398</u>	<u>1,102,908</u>	<u>50,490</u>	<u>1,154,766</u>

**CITY OF HICKORY, NORTH CAROLINA**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**

**IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2019**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2019</b>			<b>2018</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Budget and Administration:</b>				
Salaries and employee benefits	629,732	638,996	(9,264)	512,182
Operating expenditures	170,916	105,974	64,942	137,458
Capital outlay	11,367	10,360	1,007	3,819
Administrative reimbursement	(278,980)	(278,980)	-	(273,686)
Total	533,035	476,350	56,685	379,773
<b>Finance:</b>				
Salaries and employee benefits	959,892	877,759	82,133	919,554
Operating expenditures	368,967	373,183	(4,216)	371,325
Capital outlay	28,892	28,890	2	7,127
Administrative reimbursement	(1,401,279)	(1,401,279)	-	(1,373,802)
Total	(43,528)	(121,447)	77,919	(75,796)
<b>Information Technology:</b>				
Salaries and employee benefits	612,515	571,898	40,617	539,650
Operating expenditures	1,039,504	969,023	70,481	728,162
Capital outlay	307,848	284,591	23,257	112,878
Administrative reimbursement	(128,895)	(128,895)	-	(126,367)
Total	1,830,972	1,696,617	134,355	1,254,323
<b>City Clerk:</b>				
Salaries and employee benefits	89,264	92,461	(3,197)	87,736
Operating expenditures	22,753	14,686	8,067	19,356
Administrative reimbursement	(61,563)	(61,563)	-	(60,355)
Total	50,454	45,584	4,870	46,737
<b>Legal:</b>				
Salaries and employee benefits	185,891	192,174	(6,283)	185,461
Operating expenditures	121,519	125,619	(4,100)	69,926
Capital outlay	3,116	3,116	-	-
Administrative reimbursement	(62,626)	(62,626)	-	(61,397)
Total	247,900	258,283	(10,383)	193,990
<b>Engineering:</b>				
Salaries and employee benefits	394,211	342,877	51,334	247,269
Operating expenditures	51,553	35,408	16,145	37,827
Capital outlay	16,184	13,752	2,432	12,800
Administrative reimbursement	(129,140)	(129,140)	-	(126,607)
Total	332,808	262,897	69,911	171,289



**CITY OF HICKORY, NORTH CAROLINA**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**

**IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2019**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2019</b>			<b>2018</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Building Services:</b>				
Salaries and employee benefits	320,607	277,760	42,847	274,544
Operating expenditures	74,017	53,918	20,099	50,813
Capital outlay	33,801	31,858	1,943	40,712
Administrative reimbursement	(319,218)	(319,218)	-	(312,958)
Total	109,207	44,318	64,889	53,111
<b>Central Services:</b>				
Salaries and employee benefits	515,473	510,910	4,563	483,292
Operating expenditures	146,142	112,058	34,084	113,106
Capital outlay	18,414	18,413	1	61,946
Administrative reimbursement	(270,493)	(270,493)	-	(265,189)
Total	409,536	370,888	38,648	393,155
<b>Public Buildings:</b>				
Salaries and employee benefits	27,031	18,265	8,766	25,064
Operating expenditures	393,577	289,444	104,133	309,001
Capital outlay	478,458	-	478,458	160,522
Administrative reimbursement	(8,570)	(8,570)	-	(8,402)
Total	890,496	299,139	591,357	486,185
<b>Landscape Services:</b>				
Salaries and employee benefits	776,906	717,966	58,940	659,052
Operating expenditures	386,329	359,035	27,294	325,454
Capital outlay	173,800	159,248	14,552	60,621
Administrative reimbursement	(127,626)	(127,626)	-	(125,124)
Total	1,209,409	1,108,623	100,786	920,003
<b>District Court:</b>				
Operating expenditures	50,000	26,602	23,398	40,805
Administrative reimbursement	1,925	1,925	-	1,887
Total	51,925	28,527	23,398	42,692
Total general government	7,365,792	6,134,644	1,231,148	5,503,444
<b>Public Safety:</b>				
<b>Police:</b>				
Salaries and employee benefits	9,901,534	9,513,910	387,624	9,295,589
Operating expenditures	2,386,694	2,228,216	158,478	1,988,446
Capital outlay	1,459,475	1,393,922	65,553	736,998
Administrative reimbursement	2,715	2,715	-	2,661
Total	13,750,418	13,138,763	611,655	12,023,694

**CITY OF HICKORY, NORTH CAROLINA**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**

**IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2019**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2019</b>			<b>2018</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Department of Justice:</b>				
Operating expenditures	4,750	4,750	-	-
Capital outlay	11,500	11,500	-	-
Total	16,250	16,250	-	-
<b>Department of Treasury:</b>				
Operating expenditures	-	-	-	2,954
Capital outlay	-	-	-	11,000
Total	-	-	-	13,954
<b>NC Unauthorized Substance Tax:</b>				
Operating expenditures	12,180	12,180	-	12,180
Total	12,180	12,180	-	12,180
<b>Police - Secondary PSAP:</b>				
Operating expenditures	90,196	68,675	21,521	73,974
Capital outlay	125,920	123,190	2,730	-
Total	216,116	191,865	24,251	73,974
<b>Fire:</b>				
Salaries and employee benefits	8,665,655	8,829,839	(164,184)	8,390,950
Operating expenditures	1,685,698	1,254,690	431,008	1,573,419
Capital outlay	1,960,992	1,457,731	503,261	831,987
Administrative reimbursement	(36,535)	(36,535)	-	(35,819)
Total	12,275,810	11,505,725	770,085	10,760,537
Total public safety	26,270,774	24,864,783	1,405,991	22,884,339
<b>Transportation:</b>				
<b>Traffic:</b>				
Salaries and employee benefits	677,166	649,989	27,177	586,940
Operating expenditures	1,308,377	1,166,063	142,314	1,083,407
Capital outlay	36,500	30,346	6,154	23,166
Administrative reimbursement	(15,015)	(15,015)	-	(14,720)
Total	2,007,028	1,831,383	175,645	1,678,793
<b>Street:</b>				
Salaries and employee benefits	1,985,484	1,609,870	375,614	1,566,109
Operating expenditures	2,309,671	2,284,994	24,677	1,712,214
Capital outlay	501,355	373,165	128,190	466,745
Administrative reimbursement	(60,364)	(60,364)	-	(59,180)
Total	4,736,146	4,207,665	528,481	3,685,888
Total transportation	6,743,174	6,039,048	704,126	5,364,681

**CITY OF HICKORY, NORTH CAROLINA**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**

**IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2019**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2019</b>			<b>2018</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Economic and Physical Development:</b>				
<b>Planning:</b>				
Salaries and employee benefits	782,889	777,925	4,964	647,224
Operating expenditures	94,916	68,944	25,972	61,751
Capital outlay	34,778	34,778	-	5,422
Administrative reimbursement	(31,586)	(31,586)	-	(30,966)
Total	880,997	850,061	30,936	683,431
<b>Economic Development:</b>				
Operating expenditures	2,812,760	2,855,136	(42,376)	2,539,343
Total	2,812,760	2,855,136	(42,376)	2,539,343
Total economic and physical development	3,693,757	3,705,197	(11,440)	3,222,774
<b>Culture and Recreation:</b>				
<b>Recreation:</b>				
Salaries and employee benefits	2,252,582	2,153,580	99,002	2,262,448
Operating expenditures	1,726,755	1,516,564	210,191	1,200,414
Capital outlay	793,739	734,011	59,728	2,042,452
Administrative reimbursement	44,776	44,776	-	43,898
Total	4,817,852	4,448,931	368,921	5,549,212
<b>Library:</b>				
Salaries and employee benefits	1,345,132	1,254,865	90,267	1,211,584
Operating expenditures	1,017,311	828,540	188,771	808,520
Capital outlay	148,500	13,085	135,415	86,855
Administrative reimbursement	1,781	1,781	-	1,746
Total	2,512,724	2,098,271	414,453	2,108,705
Total culture and recreation	7,330,576	6,547,202	783,374	7,657,917
<b>Debt Service:</b>				
Principal	1,114,024	671,034	442,990	807,069
Interest	76,984	76,984	-	89,479
Bond issuance costs	286,032	286,032	-	-
Total	1,477,040	1,034,050	442,990	896,548

**CITY OF HICKORY, NORTH CAROLINA**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**

**IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2019**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2019</b>			<b>2018</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
Contingency	290,999	-	290,999	-
Total expenditures	53,172,112	48,324,924	4,847,188	45,529,703
Revenues over (under) expenditures	(4,009,085)	3,835,021	7,844,106	4,300,326
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	575,000	575,000	-	-
Transfers in (out):				
Capital Reserve Fund	760,000	760,000	-	760,000
Water and Sewer Fund	-	-	-	31,500
General Capital Projects Fund	142,802	142,802	-	42,351
Multi-Year Grant Projects Fund	2,173	2,173	-	60
Insurance Fund	(200,000)	(200,000)	-	-
General Capital Projects Fund	(1,822,018)	(1,822,017)	1	(2,448,728)
Multi-Year Grant Projects Fund	(18,138)	(18,138)	-	(11,465)
Capital Reserve Fund	(997,458)	(997,458)	-	(920,000)
Stormwater Fund	(118,454)	(118,454)	-	(135,137)
Solid Waste Fund	-	-	-	(50,000)
Total other financing sources (uses)	(1,676,093)	(1,676,092)	1	(2,731,419)
Revenues and other financing sources over (under) expenditures and other financing uses	(5,685,178)	2,158,929	7,844,107	1,568,907
Appropriated fund balance	5,685,178	-	(5,685,178)	-
Net change in fund balance	\$ -	2,158,929	\$ 2,158,929	1,568,907
<b>Reconciliation from Budgetary Basis of Accounting to Modified Accrual Basis:</b>				
Current year note receivable payments		(561,400)		(702,800)
Net change in fund balance modified accrual		1,597,529		866,107
<b>Fund Balance:</b>				
Fund balance, beginning		31,112,338		30,246,231
End of year - June 30		\$ 32,709,867		31,112,338

## CITY OF HICKORY, NORTH CAROLINA

**CAPITAL RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Capital Reserve Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Over/Under</b>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 140,449	\$ 140,449
Total revenues	-	140,449	140,449
<b>Expenditures:</b>			
Current:			
General government	163,378	-	163,378
Transportation	74,080	-	74,080
Environmental protection	740,000	-	740,000
Total expenditures	977,458	-	977,458
Revenues over (under) expenditures	(977,458)	140,449	1,117,907
<b>Other Financing Sources (Uses):</b>			
Transfers out	(2,960,000)	(2,960,000)	-
Transfers in	1,737,458	1,737,458	-
Total other financing sources (uses)	(1,222,542)	(1,222,542)	-
Revenues and other financing sources over (under) expenditures and other financing uses	(2,200,000)	(1,082,093)	1,117,907
Appropriated fund balance	2,200,000	-	(2,200,000)
Net change in fund balance	\$ -	(1,082,093)	\$ (1,082,093)
<b>Fund Balance:</b>			
Beginning of year - July 1		6,666,331	
End of year - June 30		\$ 5,584,238	



## **Major Capital Project Fund**

Capital Project Funds are used to account for the acquisition or construction of major capital projects other than those financed by Proprietary Funds and Trust Funds.

### **Individual Fund Description:**

**General Capital Projects Fund** - used to account for financial resources to be used for the acquisition or construction of general capital projects not accounted for by an individual fund.





## CITY OF HICKORY, NORTH CAROLINA

**MAJOR GENERAL CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019**

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
<b>Revenues:</b>					
Federal grants	\$ 30,186,160	\$ 2,999,763	\$ 25,806	\$ 3,025,569	\$ (27,160,591)
State grants	1,249,804	266,234	771,920	1,038,154	(211,650)
Investment earnings	76,580	21,691	316,281	337,972	261,392
Total revenues	31,512,544	3,287,688	1,114,007	4,401,695	(27,110,849)
<b>Expenditures:</b>					
Capital outlay:					
General government:					
City Hall 2 <sup>nd</sup> Floor Renovations	336,375	-	219,340	219,340	117,035
Public safety:					
Radio system upgrade	169,297	-	167,970	167,970	1,327
Transportation:					
Clement Boulevard extension	194,166	187,299	-	187,299	6,867
Sandy Ridge intersection	2,691,250	-	-	-	2,691,250
Storm damage repairs	1,167,280	1,167,280	-	1,167,280	-
Salt Block Pocket Park	99,184	-	99,183	99,183	1
Downtown lighting	496,857	94,356	-	94,356	402,501
Falling Creek bridge	1,938,889	1,784,610	7,809	1,792,419	146,470
Amity lane	-	-	203,164	203,164	(203,164)
Bond projects:					
Management	3,288,370	687,018	713,761	1,400,779	1,887,591
Citywalk	25,651,588	1,161,416	1,750,676	2,912,092	22,739,496
Riverwalk	3,804,814	360,997	412,194	773,191	3,031,623
Trivium Corporate Center	10,307,718	3,375,476	2,743,053	6,118,529	4,189,189
Wayfinding	523,000	468,744	-	468,744	54,256
Gateways	701,532	37,956	306,354	344,310	357,222
Streetscapes	10,600,000	-	-	-	10,600,000
Bookwalk	-	-	159	159	(159)
Culture and recreation:					
Lackey Park	100,000	70,154	24,487	94,641	5,359
Total expenditures	62,070,320	9,395,306	6,648,150	16,043,456	46,026,864
Revenues over (under) expenditures	(30,557,776)	(6,107,618)	(5,534,143)	(11,641,761)	18,916,015
<b>Other Financing Sources (Uses):</b>					
Transfers in	9,494,984	7,630,619	1,822,017	9,452,636	(42,348)
Transfers (out)	(260,966)	(75,816)	(142,802)	(218,618)	42,348
Issuance of debt	20,147,639	-	15,000,000	15,000,000	(5,147,639)
Premium on bond issuance	1,176,119	-	1,176,119	1,176,119	-
Total other financing sources (uses)	30,557,776	7,554,803	17,855,334	25,410,137	(5,147,639)
Net change in fund balance	\$ -	\$ 1,447,185	\$ 12,321,191	\$ 13,768,376	\$ 13,768,376



## **Nonmajor Governmental Funds**

**CITY OF HICKORY, NORTH CAROLINA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	<b>Community Development Entitlement Block Grant</b>	<b>Home Consortium Grant</b>	<b>NCHFA Rental Rehabilitation Grant</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ -	\$ 35,005	\$ 87,917
Accounts receivable, net	750,461	913	38,659
Due from other governmental agencies	98,703	-	25,000
Prepaid	228	-	-
Total assets	<u>\$ 849,392</u>	<u>\$ 35,918</u>	<u>\$ 151,576</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 26,763	\$ -	\$ 6,071
Due to other funds	68,694	-	-
Total liabilities	<u>95,457</u>	<u>-</u>	<u>6,071</u>
<b>Deferred Inflows of Resources:</b>			
Economic development receivable	<u>501,882</u>	<u>-</u>	<u>38,443</u>
<b>Fund Balances:</b>			
Non-spendable	228	-	-
Restricted for stabilization for state statute	347,282	913	25,216
Committed for economic development	-	35,005	81,846
Unassigned	(95,457)	-	-
Total fund balances	<u>252,053</u>	<u>35,918</u>	<u>107,062</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 849,392</u>	<u>\$ 35,918</u>	<u>\$ 151,576</u>

# CITY OF HICKORY, NORTH CAROLINA

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2019

	<b>Multi-Year Grant Projects</b>	<b>Total</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 518	\$ 123,440
Accounts receivable, net	-	790,033
Due from other governmental agencies	11,384	135,087
Prepaid	-	228
Total assets	<u>\$ 11,902</u>	<u>\$ 1,048,788</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 4,170	\$ 37,004
Due to other funds	-	68,694
Total liabilities	<u>4,170</u>	<u>105,698</u>
<b>Deferred Inflows of Resources:</b>		
Economic development receivable	<u>-</u>	<u>540,325</u>
<b>Fund Balances:</b>		
Non-spendable	-	228
Restricted for stabilization for state statute	11,384	384,795
Committed for economic development	-	116,851
Unassigned	<u>(3,652)</u>	<u>(99,109)</u>
Total fund balances	<u>7,732</u>	<u>402,765</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,902</u>	<u>\$ 1,048,788</u>

# CITY OF HICKORY, NORTH CAROLINA

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2019

	<b>Community Development Entitlement Block Grant</b>	<b>Home Consortium Grant</b>	<b>NCHFA Rental Rehabilitation Grant</b>
<b>Revenues:</b>			
Restricted intergovernmental	\$ 394,846	\$ -	\$ 37,431
Investment earnings	-	832	2,280
Miscellaneous	276,256	2,295	14,985
Total revenues	<u>671,102</u>	<u>3,127</u>	<u>54,696</u>
<b>Expenditures:</b>			
Public safety	-	-	-
Economic and physical development	667,332	2,342	43,334
Total expenditures	<u>667,332</u>	<u>2,342</u>	<u>43,334</u>
Revenues over (under) expenditures	<u>3,770</u>	<u>785</u>	<u>11,362</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	-
Transfers (out)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	3,770	785	11,362
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>248,283</u>	<u>35,133</u>	<u>95,700</u>
End of year - June 30	<u>\$ 252,053</u>	<u>\$ 35,918</u>	<u>\$ 107,062</u>

# CITY OF HICKORY, NORTH CAROLINA

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2019

	<b>Multi-Year Grant Projects</b>	<b>Total</b>
<b>Revenues:</b>		
Restricted intergovernmental	\$ 34,534	\$ 466,811
Investment earnings	87	3,199
Miscellaneous	815	294,351
Total revenues	<u>35,436</u>	<u>764,361</u>
<b>Expenditures:</b>		
Public safety	47,091	47,091
Economic and physical development	5,000	718,008
Total expenditures	<u>52,091</u>	<u>765,099</u>
Revenues over (under) expenditures	<u>(16,655)</u>	<u>(738)</u>
<b>Other Financing Sources (Uses):</b>		
Transfers in	18,138	18,138
Transfers (out)	(2,173)	(2,173)
Total other financing sources (uses)	<u>15,965</u>	<u>15,965</u>
Net change in fund balances	(690)	15,227
<b>Fund Balances:</b>		
Beginning of year - July 1	<u>8,422</u>	<u>387,538</u>
End of year - June 30	<u>\$ 7,732</u>	<u>\$ 402,765</u>





## **Special Revenue Funds**

**Special Revenue Funds are used to account for specific revenues that legally restrict expenditures for particular purposes.**

### **Individual Fund Descriptions:**

**Community Development Entitlement Block Grant Fund -** used to provide housing rehabilitation, to fund curb and gutter street projects, and to provide assistance with down payments for first time home buyers; funded with housing urban development grant funds.

**Home Consortium Grant Fund -** used to provide down payment assistance and housing rehabilitation for citizens.

**NCHFA Rental Rehabilitation Grant Fund –** assists with down payment and closing costs for new construction homes.

**Multi-Year Grant Project Fund –** used to account for financial resources of various federal, state and local grants that span more than one fiscal year and are not accounted for by an individual fund.



## CITY OF HICKORY, NORTH CAROLINA

COMMUNITY DEVELOPMENT ENTITLEMENT BLOCK GRANT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

		Actual			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
Restricted intergovernmental:					
Federal grants					
2015 Entitlement Block grant	\$ -	\$ -	\$ 100,611	\$ 100,611	\$ 100,611
2016 Entitlement Block grant	280,251	165,523	92,275	257,798	(22,453)
2017 Entitlement Block grant	280,724	213,855	51,332	265,187	(15,537)
2018 Entitlement Block grant	307,542	-	150,628	150,628	(156,914)
Miscellaneous	480,000	344,844	276,256	621,100	141,100
Total revenues	<u>1,348,517</u>	<u>724,222</u>	<u>671,102</u>	<u>1,395,324</u>	<u>46,807</u>
<b>Expenditures:</b>					
Economic and physical development	<u>1,348,517</u>	<u>475,939</u>	<u>667,332</u>	<u>1,143,271</u>	<u>205,246</u>
Total expenditures	<u>1,348,517</u>	<u>475,939</u>	<u>667,332</u>	<u>1,143,271</u>	<u>205,246</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 248,283</u>	<u>\$ 3,770</u>	<u>\$ 252,053</u>	<u>\$ 252,053</u>

## CITY OF HICKORY, NORTH CAROLINA

## HOME CONSORTIUM GRANT FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCE - BUDGET AND ACTUAL

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
<b>Revenues:</b>					
Investment earnings	\$ -	\$ 316	\$ 832	\$ 1,148	\$ 1,148
Miscellaneous	33,885	36,178	2,295	38,473	4,588
Total revenues	33,885	36,494	3,127	39,621	5,736
<b>Expenditures:</b>					
Economic and physical development	33,885	1,361	2,342	3,703	30,182
Net change in fund balance	\$ -	\$ 35,133	\$ 785	\$ 35,918	\$ 35,918

## CITY OF HICKORY, NORTH CAROLINA

**NCHFA RENTAL REHABILITATION GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Restricted intergovernmental:					
State grants	\$ 100,000	\$ 112,569	\$ 37,431	\$ 150,000	\$ 50,000
Total	<u>100,000</u>	<u>112,569</u>	<u>37,431</u>	<u>150,000</u>	<u>50,000</u>
Investment earnings	-	2,164	2,280	4,444	4,444
Miscellaneous	<u>239,115</u>	<u>225,788</u>	<u>14,985</u>	<u>240,773</u>	<u>1,658</u>
Total revenues	<u>339,115</u>	<u>340,521</u>	<u>54,696</u>	<u>395,217</u>	<u>56,102</u>
<b>Expenditures:</b>					
Economic and physical development	<u>339,115</u>	<u>244,821</u>	<u>43,334</u>	<u>288,155</u>	<u>50,960</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 95,700</u>	<u>\$ 11,362</u>	<u>\$ 107,062</u>	<u>\$ 107,062</u>

## CITY OF HICKORY, NORTH CAROLINA

**MULTI-YEAR GRANT PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019**

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
<b>Revenues:</b>					
Restricted intergovernmental:					
Federal grants	\$ 106,450	\$ 66,577	\$ 28,934	\$ 95,511	\$ (10,939)
State grants	177,650	-	-	-	(177,650)
Local grants	5,600	-	5,600	5,600	-
Total	289,700	66,577	34,534	101,111	(188,589)
Miscellaneous:					
Donations/other	-	-	815	815	815
Investment earnings	163	404	87	491	328
Total	163	404	902	1,306	1,143
Total revenues	289,863	66,981	35,436	102,417	(187,446)
<b>Expenditures:</b>					
Economic and physical development					
PTI Building Reuse Grant	187,000	-	-	-	187,000
Planning and development:					
Oakwood National Register	12,000	7,000	5,000	12,000	-
Public safety:					
Bulletproof Vest Partnership 2014	31,151	31,152	-	31,152	(1)
Bulletproof Vest Partnership 2015	34,150	33,024	-	33,024	1,126
Bulletproof Vest Partnership 2017	10,355	1,446	8,909	10,355	-
Bulletproof Vest Partnership 2018	17,175	-	12,029	12,029	5,146
Justice Assistance Grant (JAG) 2016	31,020	31,020	-	31,020	-
Justice Assistance Grant (JAG) 2017	15,205	-	15,205	15,205	-
Justice Assistance Grant (JAG) 2018	15,028	-	10,948	10,948	4,080
Total expenditures	353,084	103,642	52,091	155,733	197,351
Revenues over (under) expenditures	(63,221)	(36,661)	(16,655)	(53,316)	9,905
<b>Other Financing Sources (Uses):</b>					
Transfers (out)	(60)	(60)	(2,173)	(2,233)	(2,173)
Transfers in	63,281	45,143	18,138	63,281	-
Total other financing sources (uses)	63,221	45,083	15,965	61,048	(2,173)
Net change in fund balance	\$ -	\$ 8,422	\$ (690)	\$ 7,732	\$ 7,732

## **Major Enterprise Funds**

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Enterprise Funds have been broken down between major and nonmajor funds.

### **Individual Major Fund Descriptions:**

**Water and Sewer Fund** - accounts for the City's water and sewer operations. It also includes all public utilities and utility construction activities which consist of response to citizen concerns/complaints, negotiating with other governmental units on water and sewer matters, educating citizen groups, and contacting state agencies concerning permit and loan needs.

**Transportation Fund** – accounts for the City's regional airport operations.

**Solid Waste Fund** - accounts for the City's recycling operations, as well as commercial and residential sanitation.





# CITY OF HICKORY, NORTH CAROLINA

## WATER AND SEWER FUND

### SCHEDULE OF REVENUES AND EXPENDITURES -

### BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Charges for services:				
Water charges	\$ 14,136,217	\$ 16,178,830	\$ 2,042,613	\$ 15,759,008
Sewer charges	9,421,812	10,381,230	959,418	9,812,564
Total	23,558,029	26,560,060	3,002,031	25,571,572
Water taps	110,000	194,111	84,111	313,437
Sewer taps	30,000	161,339	131,339	63,709
Other operating revenues	263,761	556,145	292,384	309,534
Total operating revenues	403,761	911,595	507,834	686,680
Non-operating revenues:				
Interest earned on investments	60,000	1,030,290	970,290	148,844
Total non-operating revenues	60,000	1,030,290	970,290	148,844
Total revenues	24,021,790	28,501,945	4,480,155	26,407,096
<b>Expenditures:</b>				
Environmental protection:				
Administration:				
Salaries and employee benefits	720,984	977,860	(256,876)	540,889
Other operating expenditures	3,661,839	3,782,047	(120,208)	3,130,218
Capital outlay	30,275	25,160	5,115	179,640
Administrative reimbursement	3,549,819	3,712,967	(163,148)	3,408,815
Total	7,962,917	8,498,034	(535,117)	7,259,562
Collection system:				
Salaries and employee benefits	912,160	825,137	87,023	688,619
Other operating expenditures	787,433	719,342	68,091	649,472
Capital outlay	167,500	124,133	43,367	216,089
Total	1,867,093	1,668,612	198,481	1,554,180
Henry Fork plant:				
Salaries and employee benefits	544,325	520,654	23,671	511,742
Other operating expenditures	569,256	511,731	57,525	488,952
Capital outlay	473,055	466,195	6,860	186,794
Total	1,586,636	1,498,580	88,056	1,187,488

**CITY OF HICKORY, NORTH CAROLINA**

**WATER AND SEWER FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES -**

**BUDGET AND ACTUAL (NON-GAAP)**

**FOR THE YEAR ENDED JUNE 30, 2019**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2019</b>			<b>2018</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
Northeast plant:				
Salaries and employee benefits	582,267	546,568	35,699	533,717
Other operating expenditures	477,855	446,790	31,065	397,111
Capital outlay	57,504	53,276	4,228	112,221
Total	1,117,626	1,046,634	70,992	1,043,049
Water treatment plant:				
Salaries and employee benefits	659,710	554,829	104,881	512,483
Other operating expenditures	1,984,097	1,811,756	172,341	1,584,727
Capital outlay	884,886	547,596	337,290	1,393,651
Total	3,528,693	2,914,181	614,512	3,490,861
Pre-treatment and lab:				
Salaries and employee benefits	388,819	365,932	22,887	322,584
Other operating expenditures	202,434	147,826	54,608	168,055
Capital outlay	30,000	24,531	5,469	40,252
Total	621,253	538,289	82,964	530,891
Claremont sewer lines:				
Salaries and employee benefits	133,937	104,445	29,492	125,341
Other operating expenditures	305,185	137,966	167,219	143,453
Capital outlay	26,000	25,750	250	29,277
Total	465,122	268,161	196,961	298,071
Distribution:				
Salaries and employee benefits	1,797,463	1,528,007	269,456	1,612,426
Other operating expenditures	1,004,680	537,099	467,581	885,753
Capital outlay	5,983,638	2,924,318	3,059,320	1,809,877
Total	8,785,781	4,989,424	3,796,357	4,308,056
Hickory-Catawba wastewater treatment plant:				
Salaries and employee benefits	159,985	145,020	14,965	121,505
Other operating expenditures	278,504	200,996	77,508	160,043
Capital outlay	8,800	8,682	118	-
Total	447,289	354,698	92,591	281,548
Total environmental protection	26,382,410	21,776,613	4,605,797	19,953,706

**CITY OF HICKORY, NORTH CAROLINA**

**WATER AND SEWER FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES -**

**BUDGET AND ACTUAL (NON-GAAP)**

**FOR THE YEAR ENDED JUNE 30, 2019**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2019</b>			<b>2018</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
Debt service:				
Principal retirement	2,718,541	2,718,538	3	2,580,835
Interest on long-term debt	712,624	712,623	1	667,695
Total	3,431,165	3,431,161	4	3,248,530
 Total expenditures	 29,813,575	 25,207,774	 4,605,801	 23,202,236
 Revenues over (under) expenditures	 (5,791,785)	 3,294,171	 9,085,956	 3,204,860
 <b>Other Financing Sources (Uses):</b>				
Transfers from other funds	2,200,000	2,200,000	-	-
Transfers (to) other funds	(1,270,454)	(1,148,954)	121,500	(2,104,437)
Appropriated net position	4,862,239	-	(4,862,239)	-
Total other financing sources (uses)	5,791,785	1,051,046	(4,740,739)	(2,104,437)
 Revenues and other financing sources over (under) expenditures and other financing uses	 \$ -	 \$ 4,345,217	 \$ 4,345,217	 \$ 1,100,423

**Reconciliation from Budgetary Basis (Modified Accrual)**

**to Full Accrual Basis:**

Revenues and other financing sources over (under) expenditures and other financing uses	\$ 4,345,217
Reconciling items:	
Depreciation and amortization	(5,034,230)
Long-term debt principal repayments	2,718,538
Gain (loss) on sale of assets	12,951
Capital project revenues	19,572
Capital projects - transfers from (to) other funds	290,500
Change in net pension liability	(470,710)
Change in deferred outflows of resources for pensions	386,848
Change in deferred inflows of resources for pensions	21,692
Change in deferred outflows of resources for OPEB	(60,499)
Change in deferred inflows of resources for OPEB	(288,781)
Capital assets purchased/capitalized	4,164,688
Contributed capital - developers	136,000
Change in accrued vacation pay	(24,038)
Change in accrued interest payable	(929)
Change in total OPEB liability	335,397
 Change in net position	 \$ 6,552,216

## CITY OF HICKORY, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
<b>Revenues:</b>					
Restricted intergovernmental:					
State grants	\$ 3,025,023	\$ 2,350,052	\$ 16,493	\$ 2,366,545	\$ (658,478)
Miscellaneous:					
Investment earnings	-	7,412	3,079	10,491	10,491
Total revenues	<u>3,025,023</u>	<u>2,357,464</u>	<u>19,572</u>	<u>2,377,036</u>	<u>(647,987)</u>
<b>Expenditures:</b>					
Capital outlay:					
Northeast sewer grant project	2,946,043	2,423,772	243,835	2,667,607	278,436
Geitner basin	3,867,715	3,048,645	323,307	3,371,952	495,763
Central business district	5,361,176	4,705,510	189,163	4,894,673	466,503
Short road sewer project	68,000	-	54,500	54,500	13,500
McLin and Lyle Creek	197,500	-	78,558	78,558	118,942
Murray basin sewer project	360,805	329,828	25,000	354,828	5,977
Total expenditures	<u>12,801,239</u>	<u>10,507,755</u>	<u>914,363</u>	<u>11,422,118</u>	<u>1,379,121</u>
Revenues over (under) expenditures	<u>(9,776,216)</u>	<u>(8,150,291)</u>	<u>(894,791)</u>	<u>(9,045,082)</u>	<u>731,134</u>
<b>Other Financing Sources (Uses):</b>					
Transfers from other funds	4,892,641	4,602,141	290,500	4,892,641	-
Issuance of long-term debt	<u>4,883,575</u>	<u>3,056,424</u>	<u>-</u>	<u>3,056,424</u>	<u>(1,827,151)</u>
Total other financing sources (uses)	<u>9,776,216</u>	<u>7,658,565</u>	<u>290,500</u>	<u>7,949,065</u>	<u>(1,827,151)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (491,726)</u>	<u>\$ (604,291)</u>	<u>\$ (1,096,017)</u>	<u>\$ (1,096,017)</u>

**CITY OF HICKORY, NORTH CAROLINA**

**TRANSPORTATION FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2019  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2019</b>			<b>2018</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
Operating revenues:				
Restricted intergovernmental:				
Airport	\$ 6,365	\$ 9,130	\$ 2,765	\$ 6,730
Airport services	<u>2,670,877</u>	<u>1,177,501</u>	<u>(1,493,376)</u>	<u>1,275,441</u>
Total operating revenues	<u>2,677,242</u>	<u>1,186,631</u>	<u>(1,490,611)</u>	<u>1,282,171</u>
Non-operating revenues:				
Investment earnings	<u>3,500</u>	<u>33,563</u>	<u>30,063</u>	<u>6,487</u>
Total revenues	<u>2,680,742</u>	<u>1,220,194</u>	<u>(1,460,548)</u>	<u>1,288,658</u>
<b>Expenditures:</b>				
Airport:				
Salaries and employee benefits	223,092	223,157	(65)	219,685
Other operating expenditures	235,155	226,802	8,353	183,126
Capital outlay	11,221	8,880	2,341	12,686
Administrative reimbursement	<u>124,293</u>	<u>124,293</u>	<u>-</u>	<u>121,851</u>
Total airport	<u>593,761</u>	<u>583,132</u>	<u>10,629</u>	<u>537,348</u>
Airport tower:				
Other operating expenditures	<u>15,763</u>	<u>14,974</u>	<u>789</u>	<u>12,219</u>
Total airport tower	<u>15,763</u>	<u>14,974</u>	<u>789</u>	<u>12,219</u>
Airport FBO:				
Salaries and employee benefits	336,726	355,910	(19,184)	329,459
Other operating expenditures	1,797,072	316,946	1,480,126	329,008
Capital outlay	<u>43,179</u>	<u>37,839</u>	<u>5,340</u>	<u>27,690</u>
Total airport FBO	<u>2,176,977</u>	<u>710,695</u>	<u>1,466,282</u>	<u>686,157</u>
Total expenditures	<u>2,786,501</u>	<u>1,308,801</u>	<u>1,477,700</u>	<u>1,235,724</u>
Revenues over (under) expenditures	<u>(105,759)</u>	<u>(88,607)</u>	<u>17,152</u>	<u>52,934</u>

**CITY OF HICKORY, NORTH CAROLINA**

**TRANSPORTATION FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES -**

**BUDGET AND ACTUAL (NON-GAAP)**

**FOR THE YEAR ENDED JUNE 30, 2019**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2019</b>			<b>2018</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(50,173)	(50,173)	-	(9,833)
Transfers from other funds	-	-	-	38,293
Appropriated net position	155,932	-	(155,932)	-
Total other financing sources (uses)	105,759	(50,173)	(155,932)	28,460
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (138,780)	\$ (138,780)	\$ 81,394

**Reconciliation from Budgetary Basis (Modified Accrual)  
to Full Accrual Basis:**

Revenues and other financing sources over (under) expenditures and other financing uses	\$ (138,780)
Reconciling items:	
Depreciation	(346,863)
Change in net pension liability	(51,149)
Change in deferred outflows for pensions	42,036
Change in deferred inflows for pensions	2,357
Change in deferred outflows for OPEB	(5,762)
Change in deferred inflows for OPEB	(27,503)
Capital project revenues	156,027
Capital project interest	241
Capital projects - transfers from (to) other funds	50,173
Capital assets purchased/capitalized	46,719
Change in accrued vacation pay	(3,349)
Change in total OPEB liability	31,943
Change in net position	\$ (243,910)

## CITY OF HICKORY, NORTH CAROLINA

TRANSPORTATION CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Restricted intergovernmental:					
Federal grants	\$ 279,449	\$ -	\$ 74,148	\$ 74,148	\$ (205,301)
State grants	395,796	5,339	81,879	87,218	(308,578)
Total	<u>675,245</u>	<u>5,339</u>	<u>156,027</u>	<u>161,366</u>	<u>(513,879)</u>
Investment earnings	-	449	241	690	690
Total revenues	<u>675,245</u>	<u>5,788</u>	<u>156,268</u>	<u>162,056</u>	<u>(513,189)</u>
<b>Expenditures:</b>					
Capital outlay:					
Transportation:					
Airport improvements	<u>753,403</u>	<u>19,221</u>	<u>246,568</u>	<u>265,789</u>	<u>487,614</u>
Revenues over (under) expenditures	<u>(78,158)</u>	<u>(13,433)</u>	<u>(90,300)</u>	<u>(103,733)</u>	<u>(25,575)</u>
<b>Other Financing Sources (Uses):</b>					
Intrafund transfer in	116,450	27,985	50,173	78,158	(38,292)
Intrafund transfer out	<u>(38,292)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,292</u>
Total other financing sources (uses)	<u>78,158</u>	<u>27,985</u>	<u>50,173</u>	<u>78,158</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 14,552</u>	<u>\$ (40,127)</u>	<u>\$ (25,575)</u>	<u>\$ (25,575)</u>

# CITY OF HICKORY, NORTH CAROLINA

## SOLID WASTE FUND

### SCHEDULE OF REVENUES AND EXPENDITURES -

#### BUDGET AND ACTUAL (NON-GAAP)

#### FOR THE YEAR ENDED JUNE 30, 2019

#### WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Other taxes:				
Solid waste excise tax	\$ 25,000	\$ 22,678	\$ (2,322)	\$ 26,897
Charges for services:				
Recycling fees	3,505,400	3,549,638	44,238	3,292,191
Dumpster rentals	400,000	442,918	42,918	414,991
Refuse fees	905,000	977,245	72,245	896,665
Total	4,810,400	4,969,801	159,401	4,603,847
Other operating revenues	29,910	30,935	1,025	6,718
Total operating revenues	4,865,310	5,023,414	158,104	4,637,462
Non-operating revenues:				
Investment earnings	9,000	67,903	58,903	14,037
Miscellaneous	-	1,409	1,409	6,355
Total non-operating revenues	9,000	69,312	60,312	20,392
Total revenues	4,874,310	5,092,726	218,416	4,657,854
<b>Expenditures:</b>				
Environmental protection:				
Recycling services:				
Salaries and employee benefits	602,884	571,901	30,983	574,044
Other operating expenditures	1,607,163	1,652,192	(45,029)	1,600,534
Capital outlay	156,194	156,194	-	244,026
Administrative reimbursement	497,482	497,482	-	487,723
Total	2,863,723	2,877,769	(14,046)	2,906,327
Residential sanitation:				
Salaries and employee benefits	515,516	500,721	14,795	493,097
Other operating expenditures	406,601	401,572	5,029	337,369
Capital outlay	426,099	424,077	2,022	157,205
Total	1,348,216	1,326,370	21,846	987,671



**CITY OF HICKORY, NORTH CAROLINA**

**SOLID WASTE FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES -**

**BUDGET AND ACTUAL (NON-GAAP)**

**FOR THE YEAR ENDED JUNE 30, 2019**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2019</b>			<b>2018</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
Commercial sanitation:				
Salaries and employee benefits	478,129	473,528	4,601	462,000
Other operating expenditures	501,647	482,085	19,562	456,637
Capital outlay	338,225	333,236	4,989	-
Administrative reimbursement	(87,613)	(87,613)	-	(85,896)
Total	<u>1,230,388</u>	<u>1,201,236</u>	<u>29,152</u>	<u>832,741</u>
 Total environmental protection	 <u>5,442,327</u>	 <u>5,405,375</u>	 <u>36,952</u>	 <u>4,726,739</u>
 Revenues over (under) expenditures	 <u>(568,017)</u>	 <u>(312,649)</u>	 <u>255,368</u>	 <u>(68,885)</u>
 <b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(26,000)	(26,000)	-	-
Transfers from other funds	-	-	-	150,000
Appropriated net position	<u>594,017</u>	<u>-</u>	<u>(594,017)</u>	<u>-</u>
Total other financing sources (uses)	<u>568,017</u>	<u>(26,000)</u>	<u>(594,017)</u>	<u>150,000</u>
 Revenues and other financing sources over (under) expenditures and other financing uses	 <u>\$ -</u>	 <u>\$ (338,649)</u>	 <u>\$ (338,649)</u>	 <u>\$ 81,115</u>

**Reconciliation from Budgetary Basis (Modified Accrual)**

**to Full Accrual Basis:**

Revenues and other financing sources over (under) expenditures and other financing uses	\$ (338,649)
Reconciling items:	
Depreciation	(443,879)
Change in net pension liability	(145,934)
Change in deferred outflows for pensions	119,935
Change in deferred inflows for pensions	6,725
Change in deferred outflows for OPEB	(20,742)
Change in deferred inflows for OPEB	(99,010)
Capital assets purchased/capitalized	913,507
Change in accrued vacation pay	(13,920)
Gain on disposal of assets	97,031
Change in total OPEB liability	<u>114,993</u>
Change in net position	<u>\$ 190,057</u>



## **Nonmajor Enterprise Funds**

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Enterprise Funds have been broken down between major and nonmajor funds.

### **Individual Nonmajor Fund Descriptions:**

**Sludge Composting Fund** - accounts for the City's sewer and wastewater operations. This includes converting sludge into a usable product and operating the facility without odor problems.

**Stormwater Fund** – accounts for the City's stormwater system maintenance and construction activities



## CITY OF HICKORY, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS  
 COMBINING STATEMENT OF NET POSITION  
 JUNE 30, 2019

	Sludge Composting Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 277,618	\$ 816,615	\$ 1,094,233
Accounts receivable, net	-	1,907	1,907
Due from other governments	186,179	1,787	187,966
Prepaid items	873	881	1,754
Total current assets	464,670	821,190	1,285,860
Non-current assets:			
Land and construction in progress	145,024	-	145,024
Other capital assets, net of depreciation	1,917,615	3,022,361	4,939,976
Total non-current assets	2,062,639	3,022,361	5,085,000
Total assets	2,527,309	3,843,551	6,370,860
<b>Deferred Outflows of Resources:</b>			
OPEB deferrals	-	1,655	1,655
Pension deferrals	-	24,811	24,811
Total deferred outflows of resources	-	26,466	26,466
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	143,627	3,416	147,043
Current portion of long-term debt	-	294	294
Total current liabilities	143,627	3,710	147,337
Non-current liabilities:			
Net pension liability	-	33,168	33,168
Compensated absences payable	-	33	33
Total OPEB liability	-	31,956	31,956
Total non-current liabilities	-	65,157	65,157
Total liabilities	143,627	68,867	212,494
<b>Deferred Inflows of Resources:</b>			
OPEB deferrals	-	4,285	4,285
Pension deferrals	-	468	468
Total deferred inflows of resources	-	4,753	4,753
<b>Net Position:</b>			
Net investment in capital assets	2,062,639	3,022,361	5,085,000
Unrestricted	321,043	774,036	1,095,079
Total net position	\$ 2,383,682	\$ 3,796,397	\$ 6,180,079

## CITY OF HICKORY, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Sludge Composting Fund</b>	<b>Stormwater Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Operating Revenues:</b>			
Restricted intergovernmental	\$ 1,991,259	\$ -	\$ 1,991,259
Sludge charges	94,039	-	94,039
Total operating revenues	<u>2,085,298</u>	<u>-</u>	<u>2,085,298</u>
<b>Operating Expenses:</b>			
Administration and engineering	-	103,604	103,604
Sludge plant	1,693,463	-	1,693,463
Street	-	91,187	91,187
Drainage maintenance	-	85,207	85,207
Depreciation	339,687	261,923	601,610
Total operating expenses	<u>2,033,150</u>	<u>541,921</u>	<u>2,575,071</u>
Operating income (loss)	<u>52,148</u>	<u>(541,921)</u>	<u>(489,773)</u>
Non-operating revenues (expenses):			
Interest earned on investments	-	20,005	20,005
Total non-operating revenues (expenses)	<u>-</u>	<u>20,005</u>	<u>20,005</u>
Income (loss) before transfers	52,148	(521,916)	(469,768)
<b>Transfers:</b>			
Transfers in	-	262,908	262,908
Change in net position	52,148	(259,008)	(206,860)
<b>Net Position:</b>			
Net position, beginning	<u>2,331,534</u>	<u>4,055,405</u>	<u>6,386,939</u>
End of year - June 30	<u>\$ 2,383,682</u>	<u>\$ 3,796,397</u>	<u>\$ 6,180,079</u>

## CITY OF HICKORY, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Sludge Composting Fund</b>	<b>Stormwater Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 1,965,577	\$ -	\$ 1,965,577
Cash paid to suppliers	(1,549,836)	(204,810)	(1,754,646)
Cash paid to employees	-	(85,392)	(85,392)
Net cash provided (used) by operating activities	<u>415,741</u>	<u>(290,202)</u>	<u>125,539</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Transfers from other funds	-	262,908	262,908
Net cash provided (used) by non-capital financing activities	-	262,908	262,908
<b>Cash Flows from Capital And Related Financing Activities:</b>			
Acquisition and construction of capital assets	(155,723)	-	(155,723)
Net cash provided (used) by capital and related financing activities	<u>(155,723)</u>	<u>-</u>	<u>(155,723)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	-	20,005	20,005
Net cash provided (used) by investing activities	-	20,005	20,005
Net increase (decrease) in cash and cash equivalents	260,018	(7,289)	252,729
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	<u>17,600</u>	<u>823,904</u>	<u>841,504</u>
End of year - June 30	<u>\$ 277,618</u>	<u>\$ 816,615</u>	<u>\$ 1,094,233</u>

## CITY OF HICKORY, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Sludge Composting Fund</b>	<b>Stormwater Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 52,148	\$ (541,921)	\$ (489,773)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	339,687	261,923	601,610
Change in net pension liability	-	11,088	11,088
Change in assets and liabilities:			
(Increase) decrease in accounts receivables	(119,721)	273	(119,448)
(Increase) decrease in prepaid items	-	(717)	(717)
Change in deferred outflows for pensions	-	(9,113)	(9,113)
Change in deferred inflows for pensions	-	578	578
Change in deferred outflows for OPEB	-	(511)	(511)
Change in deferred inflows for OPEB	-	2,750	2,750
Increase (decrease) in accounts payable	143,627	(11,685)	131,942
Increase (decrease) in compensated absences	-	327	327
Change in total OPEB liability	-	(3,194)	(3,194)
Net cash provided (used) by operating activities	<u>\$ 415,741</u>	<u>\$ (290,202)</u>	<u>\$ 125,539</u>



## CITY OF HICKORY, NORTH CAROLINA

## SLUDGE COMPOSTING FUND

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Restricted intergovernmental:				
Local grants	\$ 1,761,650	\$ 1,991,259	\$ 229,609	\$ 1,644,229
Charges for services:				
Sludge charges	-	94,039	94,039	63,575
Total revenues	<u>1,761,650</u>	<u>2,085,298</u>	<u>323,648</u>	<u>1,707,804</u>
<b>Expenditures:</b>				
Environmental protection:				
Other operating expenditures	1,585,536	1,567,349	18,187	1,521,258
Capital outlay	187,608	155,723	31,885	-
Administrative reimbursement	126,114	126,114	-	123,678
Total environmental protection	<u>1,899,258</u>	<u>1,849,186</u>	<u>50,072</u>	<u>1,644,936</u>
Total expenditures	<u>1,899,258</u>	<u>1,849,186</u>	<u>50,072</u>	<u>1,644,936</u>
Revenues over (under) expenditures	<u>(137,608)</u>	<u>236,112</u>	<u>373,720</u>	<u>62,868</u>
<b>Other Financing Sources (Uses):</b>				
Intrafund transfer in	-	-	-	90,000
Appropriated fund balance	<u>137,608</u>	<u>-</u>	<u>(137,608)</u>	<u>-</u>
Total other financing sources (uses)	<u>137,608</u>	<u>-</u>	<u>(137,608)</u>	<u>90,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 236,112</u>	<u>\$ 236,112</u>	<u>\$ 152,868</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses		<u>\$ 236,112</u>		
Reconciling items:				
Capital outlay		155,723		
Depreciation		<u>(339,687)</u>		
Total reconciling items		<u>(183,964)</u>		
Change in net position		<u>\$ 52,148</u>		

CITY OF HICKORY, NORTH CAROLINA

STORMWATER FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Non-operating revenues:				
Interest earned on investments	\$ -	\$ 20,005	\$ 20,005	\$ 3,885
Total non-operating revenues	-	20,005	20,005	3,885
Total revenues	-	20,005	20,005	3,885
<b>Expenditures:</b>				
Environmental protection:				
Engineering:				
Salaries and benefits	106,853	87,317	19,536	83,798
Other operating expenditures	25,055	14,362	10,693	14,810
Total	131,908	101,679	30,229	98,608
Street:				
Other operating expenditures	137,845	91,187	46,658	35,302
Total	137,845	91,187	46,658	35,302
Drainage maintenance:				
Other operating expenditures	86,000	85,207	793	59,592
Capital outlay	-	-	-	1,100,000
Total	86,000	85,207	793	1,159,592
Total environmental protection	355,753	278,073	77,680	1,293,502
Revenues over (under) expenditures	(355,753)	(258,068)	97,685	(1,289,617)
<b>Other Financing Sources (Uses):</b>				
Transfers in	262,908	262,908	-	1,370,274
Appropriated net position	92,845	-	(92,845)	-
Total other financing sources (uses)	355,753	262,908	(92,845)	1,370,274
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 4,840	\$ 4,840	\$ 80,657

**CITY OF HICKORY, NORTH CAROLINA**

**STORMWATER FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES -**

**BUDGET AND ACTUAL (NON-GAAP)**

**FOR THE YEAR ENDED JUNE 30, 2019**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2019</u>			<u>2018</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual)</b>				
<b>to Full Accrual Basis:</b>				
Revenues and other financing sources over				
(under) expenditures and other financing uses		\$ 4,840		
Reconciling items:				
Depreciation		(261,923)		
Change in net pension liability		(11,088)		
Change in deferred outflows of resources for pensions		9,113		
Change in deferred inflows of resources for pensions		511		
Change in deferred outflows of resources for OPEB		(578)		
Change in deferred inflows of resources for OPEB		(2,750)		
Change in accrued vacation pay		(327)		
Change in total OPEB liability		<u>3,194</u>		
Change in net position		<u>\$ (259,008)</u>		



## **Internal Service Funds**

Internal Service Funds account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

### **Individual Fund Descriptions:**

**Insurance Fund** – accounts for the cost associated with insurance provided for health, property/casualty, and workers' compensation.

**Fleet Maintenance Fund** – accounts for the cost associated with the City's vehicle and equipment maintenance needs.



## CITY OF HICKORY, NORTH CAROLINA

INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2019

	<b>Insurance Fund</b>	<b>Fleet Maintenance Fund</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 4,356,902	\$ -	\$ 4,356,902
Accounts receivable, net	12,732	-	12,732
Due from other governments	-	74,771	74,771
Inventory	-	128,656	128,656
Prepaid items	96,749	945	97,694
Total current assets	<u>4,466,383</u>	<u>204,372</u>	<u>4,670,755</u>
Non-current assets:			
Depreciable capital assets, net	-	66,186	66,186
Total non-current assets	<u>-</u>	<u>66,186</u>	<u>66,186</u>
Total assets	<u>4,466,383</u>	<u>270,558</u>	<u>4,736,941</u>
<b>Deferred Outflows of Resources:</b>			
OPEB deferrals	-	19,879	19,879
Pension deferrals	-	128,494	128,494
Total deferred outflows of resources	<u>-</u>	<u>148,373</u>	<u>148,373</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	950,577	40,408	990,985
Due to other funds	-	1,207,948	1,207,948
Current portion of long-term debt	-	24,448	24,448
Total current liabilities	<u>950,577</u>	<u>1,272,804</u>	<u>2,223,381</u>
Non-current liabilities:			
Net pension liability	-	160,998	160,998
Compensated absences, noncurrent	-	1,294	1,294
Total OPEB liability	-	383,474	383,474
Total non-current liabilities	<u>-</u>	<u>545,766</u>	<u>545,766</u>
Total liabilities	<u>950,577</u>	<u>1,818,570</u>	<u>2,769,147</u>
<b>Deferred Inflows of Resources:</b>			
OPEB deferrals	-	51,422	51,422
Pension deferrals	-	16,907	16,907
Total deferred inflows of resources	<u>-</u>	<u>68,329</u>	<u>68,329</u>
<b>Net Position:</b>			
Net investment in capital assets	-	66,186	66,186
Unrestricted	<u>3,515,806</u>	<u>(1,534,154)</u>	<u>1,981,652</u>
Total net position	<u>\$ 3,515,806</u>	<u>\$ (1,467,968)</u>	<u>\$ 2,047,838</u>

## CITY OF HICKORY, NORTH CAROLINA

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Insurance Fund</b>	<b>Fleet Maintenance Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Charges for services	\$ 6,578,623	\$ 2,809,352	\$ 9,387,975
Other operating revenues	9,988	1,173	11,161
Total operating revenues	<u>6,588,611</u>	<u>2,810,525</u>	<u>9,399,136</u>
<b>Operating Expenses:</b>			
Health insurance	4,406,940	-	4,406,940
Property/casualty insurance	654,918	-	654,918
Workers' compensation	357,504	-	357,504
Dental insurance	429,825	-	429,825
Other insurance	84,617	-	84,617
Fleet maintenance	-	2,956,423	2,956,423
Depreciation	-	19,968	19,968
Total operating expenses	<u>5,933,804</u>	<u>2,976,391</u>	<u>8,910,195</u>
Operating income (loss)	<u>654,807</u>	<u>(165,866)</u>	<u>488,941</u>
<b>Non-Operating Revenues (Expenses):</b>			
Investment earnings	120,514	-	120,514
Transfers from other funds	200,000	-	200,000
Total non-operating revenues (expenses)	<u>320,514</u>	<u>-</u>	<u>320,514</u>
Change in net position	975,321	(165,866)	809,455
<b>Net Position:</b>			
Net position, beginning	<u>2,540,485</u>	<u>(1,302,102)</u>	<u>1,238,383</u>
End of year - June 30	<u>\$ 3,515,806</u>	<u>\$ (1,467,968)</u>	<u>\$ 2,047,838</u>



## CITY OF HICKORY, NORTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	Insurance Fund	Fleet Maintenance Fund	Total
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 6,584,778	\$ 2,810,525	\$ 9,395,303
Cash paid to suppliers	(6,165,920)	(2,357,210)	(8,523,130)
Cash paid to employees	-	(579,905)	(579,905)
Net cash provided (used) by operating activities	<u>418,858</u>	<u>(126,590)</u>	<u>292,268</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Changes in due to/from other funds	-	186,256	186,256
Transfers from other funds	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Net cash provided (used) by non-capital financing activities	<u>200,000</u>	<u>186,256</u>	<u>386,256</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	<u>-</u>	<u>(59,666)</u>	<u>(59,666)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	<u>120,514</u>	<u>-</u>	<u>120,514</u>
Net increase (decrease) in cash and cash equivalents	<u>739,372</u>	<u>-</u>	<u>739,372</u>
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	<u>3,617,530</u>	<u>-</u>	<u>3,617,530</u>
End of year - June 30	<u>\$ 4,356,902</u>	<u>\$ -</u>	<u>\$ 4,356,902</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 654,807	\$ (165,866)	\$ 488,941
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	19,968	19,968
Change in net pension liability	-	55,798	55,798
Change in assets and liabilities:			
(Increase) decrease in accounts receivables	(3,879)	(12,869)	(16,748)
(Increase) decrease in prepaid items	86,945	1,437	88,382
(Increase) decrease in inventories	-	29,937	29,937
Increase (decrease) in accounts payable	(319,061)	(3,329)	(322,390)
Change in deferred outflows of resources for pensions	-	(45,857)	(45,857)
Change in deferred inflows of resources for pensions	-	(2,571)	(2,571)
Change in deferred outflows of resources for OPEB	-	6,912	6,912
Change in deferred inflows of resources for OPEB	-	33,004	33,004
Increase (decrease) in prepaid fees	46	-	46
Increase (decrease) in compensated absences	-	(4,823)	(4,823)
Change in total OPEB liability	<u>-</u>	<u>(38,331)</u>	<u>(38,331)</u>
Net cash provided (used) by operating activities	<u>\$ 418,858</u>	<u>\$ (126,590)</u>	<u>\$ 292,268</u>

## CITY OF HICKORY, NORTH CAROLINA

## INSURANCE FUND

## SCHEDULE OF REVENUES AND EXPENDITURES -

## FINANCIAL PLAN AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2019

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Financial Plan	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
Charges for services	\$ 6,880,272	\$ 6,578,623	\$ (301,649)	\$ 6,589,416
Other operating revenues	-	9,988	9,988	(1,337)
Total operating revenues	<u>6,880,272</u>	<u>6,588,611</u>	<u>(291,661)</u>	<u>6,588,079</u>
<b>Non-Operating Revenues:</b>				
Investment earnings	25,000	120,514	95,514	18,209
Total non-operating revenues	<u>25,000</u>	<u>120,514</u>	<u>95,514</u>	<u>18,209</u>
Total revenues	<u>6,905,272</u>	<u>6,709,125</u>	<u>(196,147)</u>	<u>6,606,288</u>
<b>Expenditures:</b>				
General government:				
Health insurance	5,603,296	4,406,940	1,196,356	4,056,758
Property/casualty insurance	666,260	654,918	11,342	672,871
Dental insurance	425,000	429,825	(4,825)	399,347
Other insurance	75,000	84,617	(9,617)	69,975
Workers' compensation	700,000	357,504	342,496	639,373
Total expenditures	<u>7,469,556</u>	<u>5,933,804</u>	<u>1,535,752</u>	<u>5,838,324</u>
Revenues over (under) expenditures	<u>(564,284)</u>	<u>775,321</u>	<u>1,339,605</u>	<u>767,964</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	200,000	200,000	-	-
Appropriated net position	364,284	-	(364,284)	-
Total other financing sources (uses)	<u>564,284</u>	<u>200,000</u>	<u>(364,284)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 975,321</u>	<u>\$ 975,321</u>	<u>\$ 767,964</u>

## CITY OF HICKORY, NORTH CAROLINA

## FLEET MAINTENANCE FUND

## SCHEDULE OF REVENUES AND EXPENDITURES

## FINANCIAL PLAN AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2019

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Financial Plan	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
Charges for services	\$ 2,708,459	\$ 2,809,350	\$ 100,891	\$ 2,449,364
Other operating revenues	-	1,173	1,173	1,880
Total operating revenues	<u>2,708,459</u>	<u>2,810,523</u>	<u>102,064</u>	<u>2,451,244</u>
<b>Expenditures:</b>				
General government				
Salaries and benefits	624,755	584,037	40,718	543,534
Other operating expenditures	1,749,338	2,094,658	(345,320)	1,790,419
Capital outlay	64,856	63,721	1,135	6,079
Administrative reimbursement	<u>269,539</u>	<u>269,539</u>	-	<u>264,250</u>
Total expenditures	<u>2,708,488</u>	<u>3,011,955</u>	<u>(303,467)</u>	<u>2,604,282</u>
Revenues over (under) expenditures	(29)	(201,432)	(201,403)	(153,038)
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	<u>29</u>	<u>-</u>	<u>(29)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (201,432)</u>	<u>\$ (201,432)</u>	<u>\$ (153,038)</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (201,432)		
Reconciling items:				
Depreciation and amortization		(19,968)		
Change in net pension liability		(55,798)		
Change in deferred outflows of resources for pensions		45,857		
Change in deferred inflows of resources for pensions		2,571		
Capital assets purchased/capitalized		59,666		
Change in deferred outflows of resources for OPEB		(6,912)		
Change in deferred inflows of resources for OPEB		(33,004)		
Change in accrued vacation pay		4,823		
Change in total OPEB liability		<u>38,331</u>		
Change in net position		<u>\$ (165,866)</u>		



**Capital Assets Used In The  
Operation of Governmental Funds**



## CITY OF HICKORY, NORTH CAROLINA

## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY SOURCE<sup>1</sup>

JUNE 30, 2019

**Governmental Funds Capital Assets:**

Land	\$ 12,617,155
Buildings	31,813,881
Other improvements	14,254,050
Equipment	13,354,852
Vehicles and motorized equipment	17,096,345
Streets	45,965,178
Traffic signals	2,433,032
Bridges	2,184,024
Sidewalks	7,751,687
Construction in progress	14,730,355
Total governmental funds capital assets	<u>\$ 162,200,559</u>

**Investments in Governmental Funds Capital Assets by Source:**

General Fund	\$ 97,144,733
Special revenue funds	1,907,370
Capital project funds	55,600,054
Donations received	5,640,404
Foreclosures	146,651
Court awarded	40,773
Discoveries	1,720,574
Total governmental funds capital assets	<u>\$ 162,200,559</u>

<sup>1</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the Statement of Net Position.

## CITY OF HICKORY, NORTH CAROLINA

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY<sup>1</sup>**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<b>By Function and Activity</b>	<b>Governmental Funds Capital Assets June 30, 2018</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental Funds Capital Assets June 30, 2019</b>
<b>General Government:</b>				
Administration	\$ 54,375	\$ -	\$ -	\$ 54,375
Budget and administration	27,263	-	-	27,263
Finance	30,113	-	(10,890)	19,223
Technology services	1,457,303	232,470	-	1,689,773
Engineering	228,378	1,950	(47,082)	183,246
Building services	213,792	31,858	(21,645)	224,005
Central services	2,610,880	5,734	(8,156)	2,608,458
Public buildings	8,305,487	-	-	8,305,487
Buildings and grounds	1,169,473	249,462	(50,879)	1,368,056
District court	728,810	-	-	728,810
Total general government	<u>14,825,874</u>	<u>521,474</u>	<u>(138,652)</u>	<u>15,208,696</u>
<b>Public Safety:</b>				
Police	15,029,124	1,349,771	(1,049,534)	15,329,361
Code enforcement	139,148	-	-	139,148
Fire	12,517,916	1,309,934	(221,710)	13,606,140
Total public safety	<u>27,686,188</u>	<u>2,659,705</u>	<u>(1,271,244)</u>	<u>29,074,649</u>
<b>Transportation:</b>				
Traffic	3,303,017	-	(92,932)	3,210,085
Street	59,704,628	1,564,380	(70,355)	61,198,653
Total transportation	<u>63,007,645</u>	<u>1,564,380</u>	<u>(163,287)</u>	<u>64,408,738</u>
<b>Economic and Physical Development:</b>				
Planning and development	2,603,684	47,725	(12,178)	2,639,231
Economic and community	2,861,105	-	-	2,861,105
Total economic and physical development	<u>5,464,789</u>	<u>47,725</u>	<u>(12,178)</u>	<u>5,500,336</u>
<b>Culture and Recreation:</b>				
Recreation	26,574,341	644,215	(136,612)	27,081,944
Library	6,209,953	20,274	(34,386)	6,195,841
Total culture and recreation	<u>32,784,294</u>	<u>664,489</u>	<u>(170,998)</u>	<u>33,277,785</u>
<b>Construction in Progress</b>	<u>9,566,271</u>	<u>6,430,548</u>	<u>(1,266,464)</u>	<u>14,730,355</u>
Total government funds capital assets	<u>\$ 153,335,061</u>	<u>\$ 11,888,321</u>	<u>\$ (3,022,823)</u>	<u>\$ 162,200,559</u>

<sup>1</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the Statement of Net Position.



CITY OF HICKORY, NORTH CAROLINA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY<sup>1</sup>  
JUNE 30, 2019

By Function and Activity	Land	Buildings	Other Improvements	Equipment	Vehicles and Motorized Equipment
<b>General Government:</b>					
Governing body	\$ -	\$ -	\$ -	\$ -	\$ 54,375
Risk	-	-	-	-	27,263
Finance	-	-	-	19,223	-
Technology services	-	-	-	1,672,514	17,259
Engineering	-	-	-	102,700	80,546
Building services	-	-	-	20,075	203,930
Central services	744,254	1,801,592	506	47,955	14,151
Public buildings	2,676,380	3,227,940	2,034,318	366,849	-
Building and grounds	413,573	176,975	99,183	248,563	429,762
District court	28,000	693,531	-	7,279	-
Total general government	<u>3,862,207</u>	<u>5,900,038</u>	<u>2,134,007</u>	<u>2,485,158</u>	<u>827,286</u>
<b>Public Safety:</b>					
Police	133,615	5,046,620	312,818	4,869,665	4,966,642
Code enforcement	-	-	1,620	-	137,528
Fire	239,692	3,254,596	1,332,666	1,053,711	7,725,476
Total public safety	<u>373,307</u>	<u>8,301,216</u>	<u>1,647,104</u>	<u>5,923,376</u>	<u>12,829,646</u>
<b>Transportation:</b>					
Traffic	13,036	82,805	-	194,930	496,283
Street	615,674	-	589,222	1,906,864	2,176,003
Total transportation	<u>628,710</u>	<u>82,805</u>	<u>589,222</u>	<u>2,101,794</u>	<u>2,672,286</u>
<b>Economic and Physical Development:</b>					
Planning and development	2,133,812	420,636	-	21,972	62,811
Economic and community	2,861,105	-	-	-	-
Total economic and physical development	<u>4,994,917</u>	<u>420,636</u>	<u>-</u>	<u>21,972</u>	<u>62,811</u>
<b>Culture and Recreation:</b>					
Recreation	2,758,014	12,023,702	9,595,493	2,040,449	664,286
Library	-	5,085,484	288,224	782,103	40,030
Total culture and recreation	<u>2,758,014</u>	<u>17,109,186</u>	<u>9,883,717</u>	<u>2,822,552</u>	<u>704,316</u>
<b>Construction in Progress</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental funds capital assets	<u>\$ 12,617,155</u>	<u>\$ 31,813,881</u>	<u>\$ 14,254,050</u>	<u>\$ 13,354,852</u>	<u>\$ 17,096,345</u>

<sup>1</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the Statement of Net Position.

CITY OF HICKORY, NORTH CAROLINA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY<sup>1</sup>  
JUNE 30, 2019

By Function and Activity	Streets	Traffic Signals	Bridges	Sidewalks	Construction in Progress	Total
<b>General Government:</b>						
Governing body	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,375
Risk	-	-	-	-	-	27,263
Finance	-	-	-	-	-	19,223
Technology services	-	-	-	-	-	1,689,773
Engineering	-	-	-	-	-	183,246
Building services	-	-	-	-	-	224,005
Central services	-	-	-	-	-	2,608,458
Public buildings	-	-	-	-	219,341	8,524,828
Building and grounds	-	-	-	-	-	1,368,056
District court	-	-	-	-	-	728,810
Total general government	-	-	-	-	219,341	15,428,037
<b>Public Safety:</b>						
Police	-	-	-	-	167,970	15,497,330
Code enforcement	-	-	-	-	-	139,148
Fire	-	-	-	-	-	13,606,141
Total public safety	-	-	-	-	167,970	29,242,619
<b>Transportation:</b>						
Traffic	-	2,423,032	-	-	-	3,210,086
Street	45,965,178	10,000	2,184,024	7,751,687	(1,159,471)	60,039,181
Total transportation	45,965,178	2,433,032	2,184,024	7,751,687	(1,159,471)	63,249,267
<b>Economic and Physical Development:</b>						
Planning and development	-	-	-	-	-	2,639,231
Economic and community	-	-	-	-	-	2,861,105
Total economic and physical development	-	-	-	-	-	5,500,336
<b>Culture and Recreation:</b>						
Recreation	-	-	-	-	24,487	27,106,431
Library	-	-	-	-	-	6,195,841
Total culture and recreation	-	-	-	-	24,487	33,302,272
<b>Construction in Progress</b>	-	-	-	-	15,478,028	15,478,028
Total governmental funds capital assets	\$ 45,965,178	\$ 2,433,032	\$ 2,184,024	\$ 7,751,687	\$ 14,730,355	\$ 162,200,559

<sup>1</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the Statement of Net Position.

## **Supplemental Financial Data**

This section contains supplemental information on property taxes.

### **Schedule of Ad Valorem Taxes Receivable**

### **Analysis of Current Tax Levy**



## CITY OF HICKORY, NORTH CAROLINA

## GENERAL FUND

## SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2019

<b>Fiscal Year</b>	<b>Uncollected Balance July 1, 2018</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2019</b>
2018-2019	\$ -	\$ 27,881,005	\$ 27,524,478	\$ 356,527
2017-2018	362,349	-	202,011	160,338
2016-2017	182,799	-	94,681	88,118
2015-2016	105,171	-	43,070	62,101
2014-2015	86,964	-	23,622	63,342
2013-2014	140,269	-	20,492	119,777
2012-2013	127,494	-	14,131	113,363
2011-2012	126,843	-	19,269	107,574
2010-2011	109,331	-	15,389	93,942
2009-2010	124,601	-	124,601	-
Total	<u>\$ 1,365,821</u>	<u>\$ 27,881,005</u>	<u>\$ 28,081,744</u>	1,165,082
Less allowance for uncollectible ad valorem taxes receivable				<u>(680,293)</u>
Ad valorem taxes receivable, net				<u>\$ 484,789</u>
<b>Reconciliation of Collections and Credits with Revenues:</b>				
Ad valorem taxes				\$ 28,100,944
Reconciling items:				
Interest and penalties collected				(147,093)
Amounts written off per Statute of Limitations				<u>117,719</u>
Total collections and credits				<u>\$ 28,081,744</u>

## CITY OF HICKORY, NORTH CAROLINA

## ANALYSIS OF CURRENT TAX LEVY

## CITY-WIDE LEVY

FOR THE YEAR ENDED JUNE 30, 2019

	City-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
County-wide:					
Property taxed at current year's rate	\$ 4,940,327,258	\$ 0.5665	\$ 27,986,954	\$ 25,631,194	\$ 2,355,760
Penalties	-		92,502	92,502	-
Total original levy	<u>4,940,327,258</u>		<u>28,079,456</u>	<u>25,723,696</u>	<u>2,355,760</u>
<b>Discoveries:</b>					
Current year's taxes	12,734,097	\$ 0.5665	72,139	72,139	-
Penalties	-		46,516	46,468	48
Total	<u>12,734,097</u>		<u>118,655</u>	<u>118,607</u>	<u>48</u>
<b>Releases</b>	<u>(55,976,289)</u>		<u>(317,106)</u>	<u>(316,904)</u>	<u>(202)</u>
Total property valuation	<u>\$ 4,897,085,066</u>				
<b>Net Levy</b>			27,881,005	25,525,399	2,355,606
Uncollected taxes at June 30, 2019			<u>(356,527)</u>	<u>(356,527)</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 27,524,478</u>	<u>\$ 25,168,872</u>	<u>\$ 2,355,606</u>
<b>Current Levy Collection Percentage</b>			<u>98.72%</u>	<u>98.60%</u>	<u>100.00%</u>

**CITY OF HICKORY, NORTH CAROLINA**
**ANALYSIS OF CURRENT TAX LEVY  
 CITY-WIDE LEVY  
 FOR THE YEAR ENDED JUNE 30, 2019**
**Secondary Market Disclosures:****Assessed Valuation:**

Assessment ratio	<u>100.00%</u>
Real property	\$ 3,723,593,825
Personal property	1,026,321,449
Public service companies	<u>147,169,792</u>
Total assessed valuation	<u>\$ 4,897,085,066</u>
Tax rate per \$100	0.5665
Levy (includes discoveries, releases, and abatements, excludes penalties)	<u>\$ 27,881,005</u>





## **Statistical Section**

This part of the City of Hickory's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

### **Contents**

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

#### **Revenue Capacity**

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

#### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



**CITY OF HICKORY, NORTH CAROLINA**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental activities</b>										
Net investment in capital assets	\$ 54,325,934	\$ 54,657,990	\$ 53,280,737	\$ 51,209,146	\$ 49,614,181	\$ 50,663,986	\$ 49,943,126	\$ 46,859,734	\$ 55,745,847	\$ 53,510,932
Restricted	410,152	6,113,772	4,635,971	3,850,331	4,332,435	7,269,145	8,742,074	10,627,844	9,204,898	14,173,415
Unrestricted	26,223,301	21,910,602	26,206,217	26,754,779	27,084,992	24,833,580	16,629,980	16,787,495	5,976,821	5,909,646
Total governmental activities net position	\$ 80,959,387	\$ 82,682,364	\$ 84,122,925	\$ 81,814,256	\$ 81,031,608	\$ 82,766,711	\$ 75,315,180	\$ 74,275,073	\$ 70,927,566	\$ 73,593,993
<b>Business-type activities</b>										
Net investment in capital assets	94,116,138	96,335,895	98,927,587	102,454,796	102,229,159	102,857,014	106,538,651	112,695,429	116,724,413	119,304,991
Unrestricted	20,962,089	22,320,452	20,387,604	21,594,548	23,347,107	27,199,498	36,224,946	34,403,513	31,979,839	35,653,416
Total business-type activities net position	\$ 115,078,227	\$ 118,656,347	\$ 119,315,191	\$ 124,049,344	\$ 125,576,266	\$ 130,056,512	\$ 142,763,597	\$ 147,098,942	\$ 148,704,252	\$ 154,958,407
<b>Primary government</b>										
Net investment in capital assets	148,442,072	150,993,885	152,208,324	153,663,942	151,843,340	153,521,000	156,481,777	159,555,163	172,470,260	172,815,923
Restricted	410,152	6,113,772	4,635,971	3,850,331	4,332,435	7,269,145	8,742,074	10,627,844	9,204,898	14,173,415
Unrestricted	47,185,390	44,231,054	46,593,821	48,349,327	50,432,099	52,033,078	52,854,926	51,191,008	37,956,660	41,563,062
Total primary government net position	\$ 196,037,614	\$ 201,338,711	\$ 203,438,116	\$ 205,863,600	\$ 206,607,874	\$ 212,823,223	\$ 218,078,777	\$ 221,374,015	\$ 219,631,818	\$ 228,552,400

**CITY OF HICKORY, NORTH CAROLINA**  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses</b>										
Governmental activities										
General government										
Public safety	\$ 9,679,405	\$ 8,746,016	\$ 9,413,598	\$ 10,073,852	\$ 9,709,451	\$ 10,714,412	\$ 17,241,713	\$ 15,600,080	\$ 12,767,254	\$ 13,828,049
Transportation	21,873,778	21,664,475	21,760,119	21,240,572	21,616,699	20,325,286	21,590,589	22,866,317	23,107,639	24,295,446
Economic and physical development	6,715,050	7,433,400	7,250,223	6,974,527	7,990,209	7,728,201	5,434,930	6,085,304	6,258,370	6,993,677
Culture and recreation	2,772,484	3,361,684	3,382,327	3,145,584	3,152,928	3,982,537	4,046,041	3,569,329	3,737,258	4,301,391
Interest on long-term debt	6,203,497	6,191,485	6,379,277	6,349,079	6,986,803	5,975,527	6,355,499	6,391,994	6,742,733	7,069,437
Total governmental activities expenses	376,028	320,309	241,951	119,963	99,172	148,214	151,691	99,067	88,128	579,073
Business-type activities										
Water	8,091,931	8,317,021	9,315,408	8,116,096	8,148,870	7,583,247	8,206,452	8,383,437	8,346,934	9,384,793
Sewer	8,890,205	8,912,147	8,824,971	9,799,731	11,911,880	11,499,020	11,709,085	12,077,346	12,765,273	14,062,054
Sludge composting	1,886,629	1,909,927	1,920,662	1,850,556	1,894,229	1,911,962	2,010,155	1,944,219	1,980,531	2,033,150
Stormwater	779,361	471,708	477,389	503,152	752,443	604,777	526,080	533,405	457,877	541,921
Airport	1,162,141	929,123	2,509,770	2,872,189	2,615,292	2,297,924	1,419,481	1,431,740	1,523,461	1,620,372
Recycling	2,570,174	2,638,473	2,785,282	2,652,882	3,014,427	3,591,441	2,817,888	2,815,271	2,917,593	3,026,079
Sanitation	1,665,465	1,621,112	1,953,736	1,773,653	1,773,653	1,638,769	1,774,541	1,878,024	1,822,792	1,947,621
Total business-type activities expenses	25,045,906	24,799,511	27,748,342	27,748,342	30,110,794	29,127,140	28,463,682	29,063,442	29,814,461	32,615,990
Total primary government expenses	72,666,148	72,516,880	75,882,089	75,651,919	79,666,056	78,001,317	83,284,145	83,675,533	82,515,843	89,683,063
<b>Program revenues</b>										
Governmental activities										
Charges for services										
General government										
Public safety	4,357,042	5,215,920	5,221,780	5,570,929	5,988,830	5,733,999	7,771,103	7,713,582	8,079,589	8,842,670
Transportation	288,303	344,906	367,049	305,427	367,312	235,616	309,458	268,252	258,389	215,395
Economic and physical development	1,630	10,331	26,884	9,906	21,031	18,332	5,388	43,276	11,787	34,405
Culture and recreation	837,914	232,608	477,367	157,944	234,406	242,090	286,811	190,794	190,794	396,661
Operating grants and contributions	277,887	295,039	306,901	273,434	239,691	257,226	257,945	232,728	254,501	279,033
Capital grants and contributions	3,901,213	4,673,239	5,526,174	3,604,537	3,683,027	4,362,347	3,229,321	2,925,291	3,172,997	2,989,668
Total governmental activities program revenues	80,000	-	-	1,044	269,944	5,894,084	80,679	29,051	2,113,962	797,726
Business-type activities										
Charges for services										
Water	12,491,081	12,719,899	12,747,416	13,080,132	13,517,990	13,946,763	14,301,744	14,963,171	16,008,741	16,328,976
Sewer	8,291,528	8,520,966	8,520,966	8,734,523	9,172,139	9,293,174	9,628,631	9,628,631	9,876,273	10,542,569
Sludge composting	51,416	48,640	59,332	60,681	38,197	25,237	39,910	61,251	65,308	96,243
Stormwater	5,616	1,947	844	1,773	58,207	(3,318)	(1,987)	249,345	251	319
Public transit	-	-	-	-	-	-	-	-	-	-
Airport	364,004	294,912	1,293,487	2,376,811	2,186,700	1,145,669	1,318,045	1,338,980	1,281,618	1,182,435
Recycling	1,744,308	2,204,665	2,202,781	2,249,802	2,463,873	2,541,569	2,762,756	3,076,527	3,310,288	3,644,212
Sanitation	1,211,928	1,290,053	1,290,053	1,292,802	1,235,322	1,203,656	1,238,614	1,297,285	1,317,459	1,454,124
Operating grants and contributions	1,467,185	1,494,618	1,555,849	1,777,298	2,069,562	2,107,589	2,136,861	2,004,532	1,987,390	2,579,212
Capital grants and contributions	2,545,390	1,809,218	740,890	1,322,552	260,319	2,318,933	2,735,512	464,582	760,895	308,520
Total business-type activities program revenues	28,172,456	28,384,918	28,411,618	30,896,374	31,002,309	32,579,272	34,160,086	33,084,304	34,608,223	36,136,610
Total primary government program revenues	37,916,445	39,156,961	40,337,773	40,819,595	41,806,550	49,222,966	46,100,791	44,539,414	48,690,242	49,692,168
<b>Net (expense)/revenue</b>										
Governmental activities	(37,876,253)	(36,945,326)	(36,501,340)	(37,980,356)	(38,751,021)	(32,230,483)	(42,879,758)	(43,156,981)	(38,619,363)	(43,511,515)
Business-type activities	3,126,550	3,585,407	957,024	3,148,033	891,515	3,452,132	54,696,404	4,074,667	4,793,762	3,520,620
Total primary government net expense	(34,749,703)	(33,359,919)	(35,544,316)	(34,832,323)	(37,859,506)	(28,778,351)	11,816,646	(39,082,314)	(33,825,601)	(39,990,895)

**CITY OF HICKORY, NORTH CAROLINA**

**CHANGES IN NET POSITION**

**LAST TEN FISCAL YEARS**

(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General revenues and other changes in net position										
Governmental activities										
Taxes										
Ad valorem property taxes	23,848,615	23,697,141	23,403,514	23,579,201	24,073,395	23,854,614	25,801,419	26,705,834	27,222,941	28,019,929
Local option sales tax	7,528,976	7,640,291	7,930,115	8,016,018	8,322,152	8,950,747	9,698,345	10,189,172	10,380,928	11,016,777
Franchise tax	2,051,722	2,162,776	2,002,971	2,290,781	2,340,431	2,057,565	3,072,413	3,152,989	3,234,684	3,349,937
Telecommunication tax	1,220,040	1,137,974	1,158,209	1,033,987	1,025,018	1,010,313	894,621	896,481	839,810	793,021
Motel/Occupancy tax	1,067,127	1,231,459	1,302,526	1,322,744	1,418,592	1,616,179	1,888,878	1,927,878	2,050,198	2,177,957
Vehicle tag tax	151,761	153,545	157,362	161,025	209,966	170,479	174,458	193,001	184,709	185,639
Gross receipts tax	82,397	103,676	110,711	115,674	136,237	131,412	149,050	161,557	163,224	168,716
Unrestricted intergovernmental	804,822	934,256	948,165	772,566	787,532	675,846	595,737	650,281	660,473	641,027
Unrestricted investment earnings	778,780	382,329	413,155	(38,998)	174,060	150,105	326,559	85,599	195,769	1,403,393
Miscellaneous	1,000,761	989,278	-	-	-	-	-	-	-	-
Transfers	(5,359,951)	235,578	515,173	(1,581,311)	(519,010)	(1,720,158)	(6,679,253)	(169,567)	494,163	(1,578,454)
Total governmental activities	33,175,050	38,668,303	37,941,901	35,671,687	37,968,373	36,897,102	35,922,227	43,793,225	45,426,899	46,177,942
Business-type activities										
Unrestricted investment earnings	340,542	228,291	216,993	4,809	116,397	92,491	329,538	91,111	173,555	1,155,081
Donations	-	-	-	-	-	9,570	1,890	-	-	-
Transfers	5,359,951	(235,578)	(515,173)	1,581,311	519,010	1,720,158	6,679,253	169,567	(494,163)	1,578,454
Total business-type activities	5,700,493	(7,287)	(298,180)	1,586,120	635,407	1,822,219	7,010,681	260,678	(320,608)	2,733,535
Change in Net Position										
Governmental activities	(4,701,203)	1,722,977	1,440,561	(2,308,669)	(782,648)	4,666,619	5,160,619	636,244	6,807,536	2,666,427
Business-type activities	8,827,043	3,578,120	658,844	4,734,153	1,526,922	5,274,351	61,707,085	4,335,345	4,473,154	6,254,155
Total primary government	\$ 4,125,840	\$ 5,301,097	\$ 2,099,405	\$ 2,425,484	\$ 744,274	\$ 9,940,970	\$ 66,867,704	\$ 4,971,589	\$ 11,280,690	\$ 8,920,582

**CITY OF HICKORY, NORTH CAROLINA**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(modified accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ 4,351,129	\$ 363,066	\$ 296,769	\$ 295,503	\$ 409,899	\$ 5,402,181	\$ 4,885,591	\$ 4,274,339	\$ 3,294,920	\$ 2,757,181
Unreserved	13,337,503	4,265,397	3,799,206	3,542,867	3,993,730	6,977,246	6,934,665	7,639,419	7,483,180	8,426,110
Total General Fund	\$ 17,688,632	\$ 4,628,463	\$ 4,096,000	\$ 3,838,370	\$ 4,093,629	\$ 12,379,427	\$ 11,820,256	\$ 11,913,758	\$ 10,778,100	\$ 11,183,291
All other governmental funds										
Reserved	\$ 3,069,226									
Unreserved, reported in:										
Special revenue funds	5,724,561									
Capital project funds	201,552									
Total all other governmental funds	\$ 8,995,339									
General Fund										
Nonspendable		\$ 363,066	\$ 296,769	\$ 295,503	\$ 409,899	\$ 5,402,181	\$ 4,885,591	\$ 4,274,339	\$ 3,294,920	\$ 2,757,181
Restricted		4,265,397	3,799,206	3,542,867	3,993,730	6,977,246	6,934,665	7,639,419	7,483,180	8,426,110
Committed		9,785,643	11,995,937	13,322,724	13,381,759	11,437,451	4,810,507	5,835,895	6,666,331	5,584,238
Assigned		2,167,510	3,856,360	1,877,185	3,065,661	2,811,908	2,620,872	2,383,687	2,462,028	1,409,675
Unassigned		11,646,163	11,934,342	13,072,784	13,515,066	14,031,436	14,133,964	15,948,786	17,872,210	20,116,901
Total General Fund		\$ 28,227,779	\$ 31,882,614	\$ 32,111,063	\$ 34,366,115	\$ 40,660,222	\$ 33,385,599	\$ 36,082,126	\$ 37,778,669	\$ 38,294,105
Capital Projects Fund										
Restricted										
Total Capital Projects Fund										
Capital Projects Fund										
Restricted										
Total Capital Projects Fund										
All other governmental funds										
Nonspendable										
Restricted										
Committed										
Assigned										
Unassigned										
Total all other governmental funds										
Capital Projects Fund										
Restricted										
Total Capital Projects Fund										
All other governmental funds										
Nonspendable										
Restricted										
Committed										
Assigned										
Unassigned										
Total all other governmental funds										

Note: The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011. One year is presented in the format prior to the implementation of GASB 54, along with nine years after the implementation.

**CITY OF HICKORY, NORTH CAROLINA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**

(modified accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
Ad valorem taxes	\$ 23,700,135	\$ 23,584,753	\$ 23,228,814	\$ 23,531,983	\$ 24,245,897	\$ 24,206,333	\$ 25,913,125	\$ 26,857,749	\$ 27,349,367	\$ 28,100,944
Other taxes	12,097,736	12,394,721	12,656,894	12,905,229	13,439,396	14,774,695	15,877,765	16,521,078	16,853,553	17,692,047
Unrestricted intergovernmental	804,822	934,256	948,165	772,566	787,532	675,846	595,737	650,281	660,473	641,027
Restricted intergovernmental	3,899,074	4,649,251	4,197,464	2,854,565	2,980,942	5,999,698	3,122,710	2,753,943	5,060,098	3,653,856
Licenses and permits	1,122,381	1,077,254	1,123,968	1,142,332	1,144,090	1,116,114	7,886	5,912	4,852	4,832
Sales and services	1,601,557	1,630,917	1,670,625	1,557,362	1,569,254	1,670,000	1,845,522	1,719,587	1,674,129	1,438,198
Investment earnings	676,256	312,993	343,425	(39,814)	141,156	126,225	280,702	74,610	177,560	1,282,879
Miscellaneous	1,330,532	1,250,377	1,373,150	988,144	1,329,129	4,413,948	875,945	742,840	37,221	704,871
Total revenues	45,232,493	45,834,522	45,542,505	\$ 43,712,367	\$ 45,637,396	\$ 52,982,859	\$ 48,519,392	\$ 49,326,000	\$ 51,817,253	\$ 53,518,654
<b>Expenditures</b>										
<b>Current</b>										
General government	5,931,541	5,212,701	5,273,012	5,478,568	5,179,041	5,432,152	8,032,108	4,818,329	5,503,444	6,134,644
Public safety	20,546,766	20,852,112	20,444,511	21,504,472	20,920,672	21,040,948	22,807,712	21,714,028	22,909,192	24,911,874
Transportation	5,134,617	6,011,353	5,834,329	4,785,962	5,053,939	5,273,526	5,223,283	5,423,885	5,364,681	6,039,048
Economic and physical development	3,042,362	3,082,902	3,350,335	3,138,492	3,131,810	4,001,342	4,045,630	3,542,887	3,747,416	4,324,497
Culture and recreation	5,192,157	5,250,988	5,657,529	5,676,519	6,635,741	5,867,815	5,789,241	6,060,612	7,657,917	6,547,202
Capital outlay	2,290,889	1,556,918	422,028	346,333	1,484,787	5,271,468	1,121,950	1,113,055	6,355,253	6,648,150
Debt Service										
Principal retirement	1,556,359	1,739,020	1,280,343	992,687	992,686	1,092,687	1,895,487	2,037,099	807,069	671,034
Interest and fees	381,674	326,481	252,784	120,628	100,500	134,350	153,911	102,289	89,479	76,984
Bond issuance cost	-	-	-	-	-	-	-	-	-	286,032
Total expenditures	44,076,365	44,032,475	42,514,871	42,043,661	43,499,176	48,114,288	49,069,322	44,812,184	52,434,451	55,639,465
Excess(deficiency) of revenues over(under) expenditures	1,156,128	1,802,047	3,027,634	1,668,706	2,138,220	4,868,571	(549,930)	4,513,816	(617,198)	(2,120,811)
<b>Other financing sources(uses)</b>										
Transfers - in	5,526,647	3,558,790	3,885,679	3,095,433	2,603,804	3,734,816	2,151,863	4,449,778	4,201,904	3,722,588
Transfers - (out)	(10,886,598)	(3,323,212)	(3,336,168)	(4,676,744)	(3,137,814)	(5,454,974)	(8,831,116)	(4,619,345)	(3,707,741)	(5,501,042)
Issuance of debt	-	-	-	-	-	3,000,000	-	-	-	15,575,000
Premium from issuance of bond	-	-	-	-	-	-	-	-	-	1,176,119
Total other financing sources(uses)	(5,359,951)	235,578	549,511	(1,581,311)	(534,010)	1,279,842	(6,679,253)	(169,567)	494,163	14,972,665
Net change in fund balance	\$ (4,203,823)	\$ 2,037,625	\$ 3,577,145	\$ 87,395	\$ 1,604,210	\$ 6,148,413	\$ (7,229,183)	\$ 4,344,249	\$ (123,035)	\$ 12,851,854
Debt service as a percentage of noncapital expenditures	4.82%	5.08%	3.77%	2.77%	2.79%	3.08%	4.73%	5.18%	1.98%	1.56%

**CITY OF HICKORY, NORTH CAROLINA**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Real Property		Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value <sup>1</sup> as a Percentage of Actual Value
	Residential/Commercial Property	Motor Vehicles	Other						
2010	3,819,968,446	283,621,280	693,651,039	18,200,924	4,779,039,841	0.5000	4,898,808,553	97.93%	
2011	3,855,686,658	279,239,278	623,496,806	20,101,992	4,738,320,750	0.5000	4,843,141,458	98.25%	
2012	3,790,411,397	311,559,034	614,099,219	21,319,299	4,694,750,351	0.5000	4,716,069,650	100.00%	
2013	3,803,628,864	315,317,864	625,109,058	24,293,068	4,719,762,718	0.5000	4,724,755,709	100.41%	
2014	3,814,819,160	386,443,638	620,300,997	24,626,391	4,796,937,404	0.5000	4,705,425,224	102.47%	
2015	3,826,489,617	301,795,798	641,556,576	25,741,643	4,744,100,348	0.5000	4,680,523,599	101.91%	
2016	3,583,001,465	340,432,404	643,068,861	26,813,693	4,539,689,037	0.5665	4,603,791,722	99.19%	
2017	3,644,085,950	367,246,598	676,481,117	27,943,665	4,659,870,000	0.5665	4,721,279,385	99.29%	
2018	3,671,663,581	405,627,891	736,064,765	36,880,357	4,776,475,880	0.5665	4,975,927,807	96.73%	
2019	3,760,989,527	416,093,733	757,397,508	37,395,702	4,897,085,066	0.5665	5,240,744,974	94.16%	

Notes: Property is reassessed once every four years. The county assesses property at approximately 95.76 percent of actual value for real property and 100 percent for personal property. Estimated actual taxable value is calculated by dividing assessed values by those percentages.

Source: Catawba County, Burke County, and Caldwell County Tax Offices and North Carolina Department of Revenue

<sup>1</sup> Includes tax-exempt property



**CITY OF HICKORY, NORTH CAROLINA**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**LAST TEN FISCAL YEARS**  
(rate per \$100 of assessed value)

Fiscal Year Ended June 30	Name of Government				Maximum Overlapping Rate
	City of Hickory <sup>1</sup>	Burke County	Caldwell County	Catawba County	
2010	0.5000	0.5200	0.6599	0.5350	1.1599
2011	0.5000	0.5200	0.6599	0.5350	1.1599
2012	0.5000	0.5200	0.6599	0.5300	1.1599
2013	0.5000	0.5200	0.6299	0.5300	1.1299
2014	0.5000	0.6800	0.6000	0.5300	1.1800
2015	0.5000	0.6800	0.6000	0.5300	1.1800
2016	0.5665	0.6800	0.6000	0.5750	1.2465
2017	0.5665	0.6800	0.6300	0.5750	1.2465
2018	0.5665	0.6950	0.6300	0.5750	1.2615
2019	0.5665	0.6950	0.6300	0.5750	1.2615

Source: North Carolina Department of Revenue

<sup>1</sup> There are no components to the direct rate. The entire tax is dedicated to operating costs.

**CITY OF HICKORY, NORTH CAROLINA**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2019			2010		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Merchants Distributors Inc	\$ 130,228,032	1	2.64%	\$ 120,920,517	1	2.53%
Corning Optical Communications LLC	122,315,918	2	2.48%	74,191,266	2	1.55%
Hickory Ridge Owner LLC	52,697,200	3	1.07%			
Duke Energy Carolinas LLC	51,928,949	4	1.05%	40,144,828	6	0.84%
DLP Frye Regional Medical Center LLC	48,381,456	5	0.98%	40,340,600	5	0.84%
Valley Hills Mall LLC	38,856,908	6	0.79%	49,921,100	3	1.04%
Shurtape Technologies Inc	38,489,603	7	0.78%	31,979,294	7	0.67%
Tate Boulevard I, II, III & IV LLC	31,725,100	8	0.64%			
Health Care Property Investors	23,925,700	9	0.48%			
Legends of Hickory, LLC	23,056,600	10	0.47%			
American Med International				44,458,273	4	0.93%
Lowes Home Centers, Inc				28,958,203	8	0.61%
Hickory Springs Manufacturers				28,675,894	9	0.60%
Central Telephone Company				24,279,717	10	0.51%
Total	\$ 561,605,466		11.38%	\$ 483,869,692		10.12%

Source: Catawba County, Caldwell County and City of Hickory Administrative Services

**CITY OF HICKORY, NORTH CAROLINA**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the		Collections in Subsequent Years	Total Collections to Date	
		Fiscal Year of the Levy	Percentage of Levy		Amount	Percentage of Levy
		Amount				
2010	23,925,484	23,094,371	96.53%	491,189	23,585,560	98.58%
2011	23,723,429	22,894,329	96.51%	583,326	23,477,655	98.96%
2012	23,496,357	22,532,242	95.90%	591,461	23,123,703	98.41%
2013	23,630,561	22,738,168	96.22%	658,459	23,396,627	99.01%
2014	24,011,730	23,267,926	96.90%	755,701	24,023,627	100.05% *
2015	23,742,884	23,305,797	98.16%	715,067	24,020,864	101.17% *
2016	25,717,338	25,344,512	98.55%	421,503	25,766,015	100.19% *
2017	24,057,786	23,875,391	99.24%	528,881	24,404,272	101.44% *
2018	27,122,956	26,760,607	98.66%	567,083	27,327,690	100.75%
2019	27,881,005	27,524,478	98.72%	557,267	28,081,745	100.72%

\* Percentage of Levy Collected is greater than 100% due to excess subsequent year collections.

Source: City of Hickory Finance Department

**CITY OF HICKORY, NORTH CAROLINA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Governmental Activities				Business-type Activities				Total	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>1</sup>
	General Obligation Bonds	Installment Purchase Agreements	Notes Payable	Capitalized Leases	General Obligation Bonds	Installment Purchase Agreements	Notes Payable				
2010	468,000	8,645,399	-	-	782,000	12,880,033	5,039,568	27,815,000	2.24%	676	
2011	96,000	7,278,379	-	-	64,000	11,836,513	18,450,731	37,725,623	2.84%	914	
2012	-	6,094,036	-	-	-	10,792,993	21,111,398	37,998,427	2.75%	949	
2013	-	5,101,349	-	-	-	9,749,473	30,252,946	45,103,768	3.65%	1,126	
2014	-	4,108,664	494,000	-	-	18,045,086	18,719,495	41,367,245	3.18%	1,025	
2015	-	6,015,976	-	-	-	16,427,895	17,086,042	39,529,913	2.97%	985	
2016	-	4,823,290	-	-	-	14,797,607	15,452,591	35,073,488	2.58%	869	
2017	-	3,488,990	-	-	-	13,153,925	14,529,139	31,172,054	2.18%	772	
2018	-	2,681,921	-	-	-	11,496,541	16,662,111	30,840,573	2.08%	759	
2019	-	2,585,887	-	-	-	9,924,882	15,515,234	28,026,003	1.78%	685	

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup> See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population.

**CITY OF HICKORY, NORTH CAROLINA**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	General Obligation Bonds	Percentage of Estimated Actual Taxable Value <sup>1</sup> of Property		Percentage of Personal Income		Per Capita <sup>2</sup>
2010	1,250,000	0.03%	0.10%			30
2011	160,000	0.00%	0.01%			4
2012	-	0.00%	0.00%			-
2013	-	0.00%	0.00%			-
2014	-	0.00%	0.00%			-
2015	-	0.00%	0.00%			-
2016	-	0.00%	0.00%			-
2017	-	0.00%	0.00%			-
2018	-	0.00%	0.00%			-
2019	15,000,000	0.00%	0.00%			366.52

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup> See Schedule 5 for property value data.

<sup>2</sup> See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population.

**CITY OF HICKORY, NORTH CAROLINA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF JUNE 30, 2019**

Governmental Unit	Debt		Estimated Percentage Applicable <sup>1</sup>	Estimated Share of Direct and Overlapping Debt
	Outstanding			
Debt repaid with property taxes				
Burke County	66,138,473	0.92%	608,474	
Caldwell County	47,043,882	1.93%	907,947	
Catawba County	183,405,828	26.60%	48,785,950	
Subtotal, overlapping debt			<u>49,693,897</u>	
City direct debt			<u>2,681,921.00</u>	
Total direct and overlapping debt			<u>\$ 52,375,818</u>	

## Sources:

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Hickory. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

<sup>1</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

**CITY OF HICKORY, NORTH CAROLINA**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 382,323,187	\$ 379,065,660	\$ 375,580,028	\$ 377,581,017	\$ 383,754,992	\$ 379,528,028	\$ 363,175,123	\$ 372,328,057	\$ 384,391,327	\$ 391,766,805
Total net debt applicable to limit	27,109,306	37,650,123	37,998,427	45,103,768	16,427,895	14,797,607	13,153,925	31,172,053	32,420,573	43,026,003
Legal debt margin	\$ 355,213,881	\$ 341,415,537	\$ 337,581,601	\$ 332,477,249	\$ 367,327,097	\$ 364,730,421	\$ 350,021,198	\$ 341,156,004	\$ 351,970,754	\$ 348,740,802

Total net debt applicable to the limit  
as a percentage of debt limit

7.09%

9.93%

10.12%

11.95%

4.28%

3.90%

3.62%

8.37%

8.43%

10.98%

**Legal Debt Margin Calculation for Fiscal Year 2019**

Assessed value of taxable property	\$ 4,897,085,066
Debt limit - 8 percent of assessed value	391,766,805
Debt applicable to limit:	
Gross debt	43,026,003
Less - water bonds	-
Total net debt applicable to limit	43,026,003
Legal debt margin	\$ 348,740,802

**CITY OF HICKORY, NORTH CAROLINA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Population <sup>1</sup>	Personal Income (thousands of dollars)	Per Capita Personal Income <sup>2</sup>	Median Age <sup>3</sup>	School Enrollment <sup>4</sup>	Unemployment Rate <sup>5</sup>
2010	41,149	1,243,934	30,230	N/A	4,438	11.3%
2011	41,284	1,326,034	29,840	37.1	4,317	11.4%
2012	40,053	1,383,053	29,743	37.4	4,537	10.6%
2013	40,039	1,235,483	30,857	37.7	4,403	10.1%
2014	40,361	1,301,360	32,243	38.2	4,303	6.9%
2015	40,143	1,330,178	33,136	37.7	4,281	6.2%
2016	40,374	1,358,464	33,647	37.7	4,526	5.0%
2017	40,567	1,436,315	35,406	38.3	4,290	4.3%
2018	40,611	1,483,357	36,526	37.6	4,239	3.7%
2019	40,925	1,570,661	38,379	38.2	4,267	4.2%

Note: N/A - not available

Sources:

<sup>1</sup> North Carolina State Data Center. Estimates are as of beginning of fiscal year.

<sup>2</sup> US Bureau of Economic Analysis. Estimates are for Hickory-Lenoir-Morganton MSA.

<sup>3</sup> US Census Bureau

<sup>4</sup> Hickory City Schools

<sup>5</sup> Employment Security Commission, North Carolina

Note: School enrollment only indicates Hickory City Schools. Children may also attend Catawba, Burke or Caldwell County school districts, private schools or be home schooled.



**CITY OF HICKORY, NORTH CAROLINA**  
**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND NINE YEARS AGO**

Employer <sup>(1)</sup>	2019			2010		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Catawba County Schools	1500+	1	2.54%	-	-	-
Catawba Valley Medical Center	1500+	2	2.02%	1000+	2	1.56%
Frye Regional Medical Center	1500+	3	1.99%	1000+	3	1.56%
Catawba County	1000+	4	1.69%	-	-	-
Corning Cable Systems LLC	1000+	5	1.66%	1000+	5	1.56%
Commscope	1000+	6	1.63%	1000+	4	1.56%
Merchant Distributors Inc. <sup>(2)</sup>	1000+	7	1.60%	1000+	1	3.16%
Hickory Springs Mfg Company	500-999	8	1.12%	500-999	8	0.78%-1.55%
Cargo Integrated Logistics	500-999	9	1.02%	-	-	-
Tyson Foods Inc.	500-999	10	0.96%	-	-	-
Walmart Associates Inc	-	-	-	500-999	6	0.78%-1.55%
Hickory City Schools	-	-	-	500-999	7	0.78%-1.55%
Catawba Valley Community College	-	-	-	500-999	9	0.78%-1.55%
Convergys Corporation	-	-	-	500-999	10	0.78%-1.55%

<sup>1</sup> Based on Catawba Co. workforce.

<sup>2</sup> Based on Caldwell Co. workforce.

Sources: Catawba County Chamber of Commerce and Western Piedmont Council of Governments and various area employers

**CITY OF HICKORY, NORTH CAROLINA**  
**FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
Administration	6	7	8	8	8	8	8	9	10	9
Budget, administration, and HR	7	7	7	7	7	7	8	8	9	9
Finance	20	20	21	20	20	21	17	15	17	17
Information technology	9	9	8	5	7	8	6	7	7	7
City clerk	2	1	0	1	1	1	1	1	1	1
Legal	2	2	2	2	2	2	2	2	2	2
Engineering	9	9	8	7	6	8	5	3	5	5
Building services	6	5	6	6	5	6	5	5	5	5
Central services	7	7	7	7	6	7	7	6	7	7
Buildings and grounds	12	12	13	14	15	17	16	13	14	16
Fleet Maintenance	10	10	11	11	12	11	10	10	10	11
Public Safety										
Police	141	145	143	142	141	147	134	133	137	140
Fire	132	136	135	134	134	135	133	130	131	131
Building inspections	-	-	-	-	-	-	-	-	-	-
Code enforcement	-	-	-	-	5	5	-	-	-	-
Development assistance center	-	-	-	-	-	-	-	-	-	-
Transportation										
Traffic	10	9	9	9	10	11	10	10	9	11
Street	40	38	40	39	36	43	36	32	31	35
Planning and development	9	9	8	7	7	8	7	8	10	10
Culture and recreation										
Recreation	42	39	40	40	40	42	40	40	38	38
Library	18	17	17	17	17	18	16	17	17	17
Water/Sewer	93	93	93	90	88	98	89	91	93	99
Stormwater	1	1	1	1	1	1	1	1	0	1
Public Transit	-	-	-	-	-	-	-	-	-	-
Airport	3	2	7	7	8	8	8	8	10	11
Recycling	12	13	13	13	14	16	13	13	10	12
Sanitation - commercial	9	11	10	10	10	12	10	11	11	11
Sanitation - residential	6	7	8	8	7	8	10	9	12	10
Total	606	609	615	605	607	648	592	582	596	615

Source: City human resource department

Note: This schedule represents number of persons employed as of June 30 of each year. Vacant positions are not included in the above numbers.

**CITY OF HICKORY, NORTH CAROLINA**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Public Safety</b>										
<b>Police Services</b>										
Cost per call dispatched	\$ 140	\$ 139	\$ 153	\$ 148	\$ 155	\$ 152	\$ 149	\$ 125	\$ 135	\$ 138
Calls dispatched	72,048	72,099	64,668	66,707	67,930	73,396	72,796	90,929	88,167	90,058
Uniform Crime Reporting Part I crimes reported	3,287	3,197	2,547	3,037	2,598	2,415	1,914	2,186	2,175	2,317
Uniform Crime Reporting Part I crimes per 1,000 pop.	80.6	78	64	76	64.9	60.0	47.5	54.2	53.8	57.0
Uniform Crime Reporting Part II crimes reported	3,840	3,937	3,392	3,618	3,462	3,146	3,348	3,357	3,375	3,450
Uniform Crime Reporting Part II crimes per 1,000 pop.	2,023	1,939	1,937	2,053	3,276	2,271	3,359	3,706	3,555	3,570
Traffic accidents reported	118	118	118	118	118	117	117	116	116	116
Sworn Officers	611	611	548	565	576	627	622	784	760	776
Calls dispatched per sworn officer	1,767	1,752	1,613	1,664	1,697	1,825	1,805	2,253	2,179	2,215
Calls dispatched per 1,000 population	4.2	4	4	3	4.4	3.3	6.3	6.3	6.6	7.8
Response time to priority calls (minutes)										
Emergency Communications										
Total calls per 1,000 population	3,411	2,670	2,947	---	2,291	2,543	---	---	---	---
Calls answered per telecommunicator	11,587	8,450	9,086	---	6,553	7,306	---	---	---	---
Seconds from initial ring to answer	12	n/a	n/a	---	n/a	n/a	---	---	5	5
Calls answered within three rings	97%	n/a	n/a	---	n/a	n/a	---	---	---	---
E911 calls answered within 20 seconds**	---	---	---	---	99.8%	n/a	---	---	---	---
<b>Fire Services</b>										
Cost per response	\$ 1,597	\$ 1,639	\$ 1,629	\$ 1,635	\$ 1,638	\$ 1,565	\$ 1,524	\$ 1,575	\$ 1,555	\$ 1,680
Actual fires per 1,000 population	5	5	5	5	5	5	5	5	5	4
Responses per 1,000 population	127	131	133	136	135	137	145	146	148	149
Fire inspections completed per 1,000 population	122	104	114	123	116	123	115	118	114	109
Inspections completed per Full Time Employee(FTE)	1,593	1,863	2,054	2,215	2,086	1,918	1,686	1,667	1,579	1,504
Average response time to priority 1 calls (minutes)	4.4	4.5	4.5	4.6	4.6	4.5	4.3	4.4	4.2	4.3
Fires confined to room(s) involved on arrival	61%	68%	54%	51%	55%	54%	51%	68%	61%	60%
Fires for which cause is determined	98%	98%	95%	91%	97%	93%	93%	93%	92%	85%
<b>Transportation</b>										
<b>Asphalt Maintenance and Repair</b>										
Cost per ton of asphalt for contract resurfacing	\$ 65	\$ 81	\$ 83	\$ 83	\$ 76	\$ 77	\$ 77	\$ 77	\$ 77	\$ 90
Lane miles maintained per 1,000 population	17.6	18.0	17.9	18.0	18.0	17.9	17.8	17.8	18.0	17.7
Potholes repaired within 24 hours	96%	94%	96%	94%	95%	94%	n/a	94%	92%	94%
Street segments rated 85% or better (ITRE)	46%	46%	39%	39%	39%	39%	38%	39%	37%	27%
<b>Recycling</b>										
Cost per ton collected	\$ 199	\$ 232	\$ 209	\$ 256	\$ 359	\$ 377	\$ 763	\$ 171	\$ 138	\$ 136
Cost per collection point	\$ 34	\$ 30	\$ 31	\$ 32	\$ 44	\$ 41	\$ 94	\$ 35	\$ 30	\$ 30
Tons recyclables per 1,000 population	49	36	45	37	37	33	37	63	65	66
Tons Solid Waste Landfilled per 1,000 population	237	236	232	212	224	215	210	175	180	182
Set out Rate	65%	77%	80%	76%	78%	81%	84%	67%	65%	63%
Diversion Rate	17%	13%	16%	15%	14%	13%	15%	26%	26%	27%

**CITY OF HICKORY, NORTH CAROLINA**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Sanitation</b>										
Refuse Collection										
Cost per ton collected	\$ 54	\$ 57	\$ 61	\$ 72	\$ 65	\$ 72	\$ 63	\$ 79	\$ 76	\$ 46
Cost per collection point	\$ 45	\$ 48	\$ 47	\$ 50	\$ 49	\$ 51	\$ 44	\$ 46	\$ 45	\$ 28
Tons per 1,000 population	237	236	232	212	224	215	210	175	180	182
Tons per 1,000 collection points	833	839	769	702	742	708	694	579	598	620
Tons collected per F.T.E.	2,273	1,946	2,190	2,264	2,395	2,305	2,259	1,883	1,945	1,973
Yard Waste/Leaf Collection										
Cost per ton collected	\$ 116	\$ 134	\$ 140	\$ 131	\$ 143	\$ 131	\$ 92	\$ 100	\$ 72	\$ 120
Cost per collection point	\$ 63	\$ 72	\$ 74	\$ 71	\$ 81	\$ 72	\$ 52	\$ 54	\$ 60	\$ 77
Tons collected per 1,000 population	154	151	160	164	171	166	173	164	251	189
Tons collected per F.T.E.	749	957	1,606	1,646	1,709	1,667	1,741	1,657	1,043	790

\* During FY 2012 & 2015, the Emergency Communications software malfunctioned, and the data for calls could not be recovered for the entire year.

\*\*New Measure for FY 2012-2013

\* During FY 2015 & 2016, there was a transition to single-stream recycling affecting the recycling and sanitation data.

Source: City Budget Office

**CITY OF HICKORY, NORTH CAROLINA**  
**CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	170	175	152	153	153	153	152	151	149	156
Fire										
Stations	7	7	7	7	7	7	7	7	7	7
Transportation										
Traffic										
Traffic signals	27	196	196	196	196	196	196	196	196	196
Street										
Miles of paved streets	236.04	235.89	235.89	235.89	235.82	238.39	239.74	239.74	239.74	239.74
Miles of unpaved streets	1.33	1.33	1.19	1.19	1.24	1.24	2.10	2.10	2.10	2.10
Culture and recreation										
Recreation										
Park acreage	416	416	428	428	428	428	428	429	450	450
Parks	18	18	23	23	23	23	23	24	24	24
Recreation centers	5	5	6	6	6	6	6	6	6	6
Senior citizen centers	2	2	2	2	2	2	2	2	2	2
Swimming pools	2	-	-	-	-	-	-	-	-	-
Museums	1	1	1	1	1	1	1	1	1	1
Library										
Libraries	2	2	2	2	2	2	2	2	2	2
Water										
Miles of water mains	893	903	921	925	926	932	937	942	945	947
Fire hydrants	5,824	9,500	9,566	9,576	9,583	9,625	9,649	9,675	9,691	9,699
Maximum daily capacity in MGD <sup>1</sup>	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00
Sewer										
Miles of sewer mains	499	511	490	492	492	493.5	499	499	540	541
Maximum daily treatment capacity in MGD <sup>1</sup>	15.00	15.23	15.25	15.25	15.25	16.5	16.5	16.5	16.5	16.5
Recycling										
Collection trucks	14	14	15	15	15	15	15	15	15	15
Sanitation										
Refuse trucks	20	20	27	29	29	29	29	29	29	35
Sources: Various city departments										
<sup>1</sup> MGD - Million gallons per day										



**Single Audit Section**





# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards**

### **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council  
City of Hickory  
Hickory, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hickory, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 11, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Hickory's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hickory's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hickory's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Hickory's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P. A.  
Hickory, NC  
October 11, 2019

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance And The State Single Audit Implementation Act**

### **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council  
City of Hickory  
Hickory, North Carolina

#### **Report on Compliance for Each Major Federal Program**

We have audited the City of Hickory, North Carolina's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Hickory's major federal programs for the year ended June 30, 2019. The City of Hickory's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

#### **Management's Responsibility**

Management is responsible for compliance with the federal and state statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Hickory's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Hickory's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Hickory's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City of Hickory complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

Management of the City of Hickory is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Hickory's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Hickory's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P. A.  
Hickory, NC  
October 11, 2019

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance And The State Single Audit Implementation Act**

### **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council  
City of Hickory  
Hickory, North Carolina

### **Report on Compliance for Each Major State Program**

We have audited the City of Hickory, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City of Hickory's major state programs for the year ended June 30, 2019. The City of Hickory's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

### **Management's Responsibility**

Management is responsible for compliance with the state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Hickory's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; applicable sections of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Hickory's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City of Hickory's compliance.

### **Opinion on Each Major State Program**

In our opinion, the City of Hickory complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

Management of the City of Hickory is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Hickory's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Hickory's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P. A.  
Hickory, NC  
October 11, 2019

# CITY OF HICKORY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

### 1. Summary of Auditor's Results

#### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

Non-compliance material to financial statements noted? No

#### Federal Awards

Internal control over major federal programs:

- Material weakness (es) identified? No
- Significant deficiency(s) identified? None reported

Type of auditor's report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA #</u>
---------------------	---------------

Clean Water State Revolving Fund	66.458
Airport Improvement Program	20.106

Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$ 750,000</u>
---	-------------------

Auditee qualified as low-risk auditee? No

# CITY OF HICKORY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

### 1. Summary of Auditor's Results (continued):

#### State Awards

Internal control over major state programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

Type of auditor's report issued on compliance  
for major state programs

Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with the State Single  
Audit Implementation Act?

No

Identification of major state programs:

#### Program Name

Powell Bill

Industrial Development Fund Utility Account



## **CITY OF HICKORY, NORTH CAROLINA**

### **SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019**

#### **1. Financial Statements Findings**

None reported.

#### **2. Federal Award Findings and Questioned Costs**

None reported.

#### **3. State Award Findings and Questioned Costs**

None reported.

**CITY OF HICKORY, NORTH CAROLINA**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Finding 2018-01**

**Status:** Corrected

## CITY OF HICKORY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grant Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-Through to Subrecipients</u>
<b>Federal Assistance:</b>					
United States Department of Housing and Urban Development CDBG Entitlement Grants Cluster:					
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-37-0013	\$ 394,846	\$ -	\$ -
Total CDBG Entitlement Grants Cluster			394,846	-	-
Total United States Department of Housing and Urban Development			394,846	-	-
United States Environmental Protection Agency Clean Water State Revolving Funds Cluster Passed through North Carolina Department of Environmental Quality Capitalization Grants for Clean Water State Revolving Funds Geitner Basin - Sewer System Rehab	66.458	CS370389-21	323,307	-	-
Total Clean Water State Revolving Funds Cluster			323,307	-	-
Total United States Environmental Protection Agency			323,307	-	-
United States Office of Justice Direct Program:					
Equitable Sharing Program	16.922	NC0180200	16,250	-	-
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738		21,742	-	-
Bulletproof Vest Partnership Program	16.607	2017 & 2018	7,192	-	-
Total United States Office of Justice			45,184	-	-
United States Department of Transportation Passed-through North Carolina Department of Transportation Airport Improvement Program - North Ramp Reconstruction	20.106	36237.66.6.1	74,148	-	-
Airport Improvement Program - Master Plan	20.106	36237.66.6.2	16,678	-	-
Total United States Department of Transportation			90,826	-	-
Total Federal Assistance			\$ 854,163	\$ -	\$ -
<b>State Assistance:</b>					
North Carolina Department of Cultural and Natural Resources Aid to Public Libraries		N/A		26,778	-
SALT Block Pocket Park		N/A		100,000	-
				126,778	-
North Carolina Department of Revenue Unauthorized Substances Tax		N/A		15,432	-
North Carolina Department of Transportation Direct Program:					
Powell Bill		N/A		1,223,521	-
Division of Aviation					
State Aid to Airports - Obstruction Removal		36244.33.12.1	34,006	-	-
ALP/Master Plan Update		36237.66.6.2	31,195	-	-
Total North Carolina Department of Transportation				1,288,722	-
North Carolina Department of Commerce Industrial Development Fund Utility Account - Trivium Corporate Center		U-466		671,920	-
Total North Carolina Department of Commerce				671,920	-
North Carolina Housing Finance Agency Urgent Repair Program-North Carolina Housing Trust Funds		URP1713&1812		34,857	-
North Carolina Office of Information Technology Services Passed-through Catawba County Public Safety Answering Point		N/A		176,326	-
Total State Assistance				\$ 2,314,035	\$ -

## CITY OF HICKORY, NORTH CAROLINA

### SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

#### Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and state grant activity of the City of Hickory under the programs of the federal government and the State of North Carolina for the period ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Hickory, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Hickory.

#### Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

City of Hickory has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

#### Note 3 - Loans Outstanding

City of Hickory has the following loan balances outstanding at June 30, 2019 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2019 consist of:

<u>Program Name</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Geitner Basin Sewer System Rehab	66.458	\$ 1,660,410
Central Business District Infrastructure Rehabilitation	66.458	1,164,193